HOW I RELEARNED TO LOVE DUE DILIGENCE

A story of progression and reflection

June 2023

Why we're revisiting our 2017 guide

Hello and welcome to this @sipp guide to SIPP due diligence. You may have read a previous version; if so, we're glad to have you back.

We first worked with the lang cat to produce a guide to due diligence because we wanted to be open and transparent about who we are and what we do. If we want advice professionals to engage with us and build long-term relationships (and we do) that's the least we can offer. We opened ourselves up to be challenged and agreed to share both our answers and the lang cat's view on them.

Fast forward through a global pandemic, regulatory change, major court decisions and some of our SIPP peers exiting the market and here we are again. Except not quite. @sipp has grown over those intervening years, both in terms of assets and as a business. That's reflected in this guide being in our brand. You'll still find the lang cat having its say at various points and we've still answered all of their questions and shared the firm's unfiltered analysis of our responses.

As we worked through the updated question set, we found ourselves reflecting on the path we've followed between 2017 and today. We shared some of our ambitions and predictions back then and here we'll see how effectively our crystal ball was working.

No modern discussion about provider due diligence would be complete without a cold, hard look at Consumer Duty and you'll find a dedicated section later in the guide.

Our two aims here are to be transparent and to help advice professionals with their due diligence requirements. We hope you find the guide useful and welcome any feedback.

The lang cat's foreword

In the first edition of this guide we opened our foreword with the line "Interest in, and pressure on, the SIPP market has never been greater." You don't know what you don't know, and we had no idea what lay ahead.

Add together high-profile consolidations, M&A activity, pension firms failing through the pressures of non-standard-asset-ridden books and the small matter of a global pandemic and you have a SIPP market that looks very different in 2023 compared to 2017.

In fact, few things have remained truly constant in that time as even Her Majesty's Courts & Tribunals Service (as it was then) was thrown into the middle of a multi-year saga centred around the responsibilities of SIPP providers when it comes to due diligence on investments.

All this means advisers are now keen to know their SIPP partners better than ever, diving deeper into their business practices and books, particularly when it comes to non-standard assets.

The financial services industry got off pretty lightly in comparative terms when it came to the impact of Covid and the various lockdowns. It still faced challenges though, primarily for providers this was the immediate and large-scale decentralisation of office-based workforces while maintaining service standards. That meant doing away with as many paper-based processes as possible. Spotlights were shone on those who struggled and digital capabilities are now an expectation, rather than a value-add bullet point in a sales presentation.

And of course there's been new regulation, with the introduction of PROD and MiFID II. Let's not forget Consumer Duty, the most significant regulation since the RDR and a reality for all firms from the end of July 2023. It's fitting then that @sipp has dedicated two pages of this guide to the new rules with our resident regulatory expert Mike Barrett unpacking the detail and setting some specific questions to see how prepared @sipp really is.

We have largely stuck to the original question set we put to @sipp back in 2017, but naturally as things have changed there's more we need to find out. Capital adequacy remains important, but it's not the hot topic it was back then. Now we need to know more about @sipp's service levels, how it recognises its target market, how it actively prevents consumer harm, and about its governance practices more generally.

We knew a refreshed version of our due diligence guide had to be as robust as the original, even if that meant once again opening ourselves up to potential critique. It was also important for us to maintain a good level of continuity between the original and this new version, allowing advice professionals to easily compare where we were, where we intended to go and where we've got to. And, of course, we needed to take account of the many changes to the market and shifting priorities in the intervening years.

So that was our challenge to the lang cat: refresh the question set, with enough of the old and some of the new, while keeping this guide to a level below death by due diligence.

They came back with a question set, which we agreed with no changes, and then set about answering in full. Where appropriate we took the opportunity to reflect on our progress since we last answered those questions in 2017, whether or not things had gone as we planned. Those responses are the ones you'll see throughout the paper topped with the lang cat's assessment.

LANG CAT VIEW: DUE DILIGENCE IN THE AGE OF CONSUMER DUTY

THE LANG CAT

The last time we did this Consumer Duty wasn't even a twinkle in the regulator's eye. While the basics remain the same (and you can read them here), there are some important changes to be aware of.

As an advice firm your due diligence process must now consider Consumer Duty. How have providers responded to the new rules? Have they appointed an appropriate champion? Have they set out suitably detailed plans and timescales? Are they – and this is key – focused properly on working with other firms? You'll be reliant on your provider partners for information to help you meet your own responsibilities. How comfortable are you with how that's going to go?

You should, for example, be able to review their target market analysis and compare it to your own. Then, as you move into the selection process, you should be able to easily access high quality value for money statements from providers.

On that note, we'll look at Consumer Duty in more detail a little later, including @sipp's progress.

1.1

We'd like to see disclosure from you on the following points for the past 6 years (we'd traditionally ask for 5 but it's been 6 since the original report), with some commentary alongside the data.

- **Ownership structure**
- **Profit/loss**
- **Revenue**
- **Number of new cases**
- **Any material peaks or troughs on the balance sheet e.g. significant addition of new capital**

We are a privately-owned, independent company and the executive management team is largely unchanged since the first edition of this guide. We were deeply saddened by the recent death of our chairman and founder Colin Barral, who was also one of three majority shareholders. However, we remain confident of our independence and stability going forward.

Year end	2018	2019	2020	2021	2022	2023
Turnover (£m)	3.42	4.21	4.50	4.14	4.15	6.50
Pre-tax profit (£m)	0.30	0.30	0.36	0.22	0.43	1.20

We have resumed our upwards trajectory for revenues and profits following a 2-year blip as a result of the Covid pandemic. This led to reduced adviser new business activity levels and ultra-low interest rates, both of which have now been reversed to provide an extremely positive earnings outlook for @sipp.

Membership numbers increased by 35% over the five years to 2022 and now sit at 4,200 SIPP members as at December 2022. Including our SSAS operation, we provide administration and trustee services for over 4,600 self-invested pension members, holding around £2bn assets under administration.

With our infrastructure costs being fixed for the coming years, future new business will generate revenue based on marginal costs allowing the trend of stepped increases in our profit trajectory to continue in the future. We believe that this represents an extremely sustainable SIPP and SSAS business, with limited downside risk.

1.2

Do you have any third-party financial strength ratings e.g. AKG?

We do not currently actively engage with the AKG ratings service as we believe that a due diligence document such as this is more informative and offers more context than a single metric in isolation.

There are no alternative third-party financial strength ratings that cover our sector.

1.3 How do you measure up against your capital adequacy requirements?

The company is extremely well capitalised, holding over 195% of our regulatory capital requirement. The effect of this is that we can grow our assets under administration by 280% without requiring any additional funding. This also assumes the same level (currently 3.6%) of clients holding non-standard assets (which requires us to hold additional regulatory capital) – however we expect this proportion to continue to decline over time as assets reach term, which will further strengthen the capital base.

Members holding non-standard assets pay an additional annual fee and this approach ensures that the very small proportion of members who account for around one-third of the total capital requirement make an equitable contribution to this reserve (as opposed to a cross-subsidy approach).

1.4 Can you share with us a brief overview of your outlook in the short to medium term, noting any particular strategic developments?

We are one the few remaining full SIPP operators in the UK that is truly independent and entirely focused on providing top quality personal service from highly skilled staff.

We expect that the number of SIPP operators within the next 3-5 years will continue to reduce as a result of further consolidation and withdrawals from the market.

As the polarisation of the industry continues, this creates a growing space in the middle ground between platform SIPP providers and bespoke SIPP providers. As such, this and continuing to support the strong market for property SIPPs is where @sipp's strategy remains focused going forward.

We have recently restructured our Sales team involving experienced new hires with a view to delivering organic growth targets, building strategic partnerships and widening our support network across the UK, to maximise the opportunities against this backdrop.

A key strategic aim for @sipp is to continue to be a SIPP operator which operates primarily in the intermediated market to offer advisory clients a flat, menu-based charging structure that ensures that they only pay for the services they actually use.

With the business having reached a level of maturity whereby it increasingly benefits from economies of scale, which provide the basis for increased profitability moving forward, additionally makes us well placed in this space.

We would cite our recent appointment as the administrator of the Royal London SIPP portfolio as an example of this strategy and an endorsement of our capabilities.

Section 1: Financial strength and outlook

HOW I RELEARNED TO LOVE DUE DILIGENCE

LANG CAT VIEW

THE LANG CAT

Firstly, our condolences to @sipp on the loss of its founder Colin Barral. It takes time for an estate to be resolved and this will all be worked out in time. @sipp seems to be making all the right noises about the importance of its independence and maintaining it in the future. We imagine further due diligence conversations will naturally pick this up over time as the process moves along.

Elsewhere, it's refreshing to see an exact figure (3.6%) of the non-standard assets remaining on its book. This is a key metric in any modern SIPP due diligence process and is considerably lower than the 10% reported in 2017. @sipp states this part of the book is effectively winding down.

The capital adequacy provisions offer balance here, with significant growth since the first version of this guide. It gives the impression @sipp takes the regulation very seriously and is protecting itself from any potentially harmful non-standard assets remaining on its book, which is heartening in the context of recent market events.

When we created the original version of this guide the then-new cap ad requirements were all the rage and @sipp reported its AUA could grow 50% before requiring additional funding. To see that figure grow to 280% shows commitment to a particularly important piece of regulation, especially considering it now has a much less prominent position in the SIPP world narrative than it did six years ago.

Like many providers @sipp was clearly affected by the pandemic but has managed to find its way back to form with impressive turnover and profit figures for 2023. We believe at least some of this is a result of @sipp taking on the administration of Royal London's SIPP in late 2022.

We notice that @sipp continues to not engage with AKG for financial strength ratings, which is something we would again encourage them to reconsider.

2.1 What is @sipp? What's your background? Who are your key people? Give us your pitch.

@sipp was formed in 2001 as a direct response to an increasingly inflexible SIPP market. Since inception, the business has also sought to offer a level of personable service sadly lacking in the wider financial services market.

We provide SIPP, SSAS and at retirement solutions across the full investment spectrum – from simple SIPPs such as DFMs through to directly held commercial property.

Privately owned, we remain wholly independent of any investment platform, fund manager or advisory business, which ensures investment choice is a decision for members and their advisers rather than dictated by the operator.

The business has grown to administer circa £2bn of self-invested pension assets, having benefitted from strong organic growth, acquisition and third-party administration appointments (such as the recent appointment to administer Royal London's SIPP portfolio).

But as mentioned in our outlook in 1.4, being one of the few remaining SIPP operators still focused on providing top quality personal service from highly skilled staff, combined with being one of an even smaller group of scale operators, we believe makes us well placed to take advantage of the accelerating growth opportunity this backdrop presents.

KEY PERSONNEL

While the strength and depth of @sipp's personal service lies in the diverse range of experience, skill and expertise of all our staff, here is a short introduction to each of our senior staff.

Eddie McGuire, Managing Director

Eddie's career spans 35 years of working with a number of blue-chip financial services companies, most recently as Client Services Director of AJ Bell. Prior to that he was Financial Institutions Director at Jardine Lloyd Thompson and was also the originator of XPS (previously Hazell Carr) SIPP business. Eddie is a qualified actuary with significant senior leadership experience in the pensions industry.

Stephen Lancaster, Finance Director

Stephen heads the finance function within @sipp. He has previously held a number of senior roles across multinational organisations such as Deloitte, including being the finance lead on a $2bn aerospace programme and managing the financial performance of a $1bn financial transformation programme.

EXECUTIVE MANAGEMENT TEAM

Angela Barr, Head of Change

Angela has over 30 years of experience in the financial sector and is responsible for making sure our systems and processes are robust and fit for purpose. Previous roles include Senior Business Analyst, Executive Management Support and Business Risk at Aegon before joining @sipp in 2013 as our Change Manager. Angela is Lean Six Sigma trained and holds the the PRINCE2 Foundation qualification.

Gill Baynes, Head of SSAS

Gill joined the business in 2016 as Head of SSAS. She entered the pensions industry in 1983 and has specialised in SSAS trusteeship and administration since 1987. She is personally recognised by the Revenue as a pensioneer trustee.

Lee Halpin, Head of Technical Services

Lee provides product advice, technical guidance and support on pension matters to both our internal team and external introducers. He also oversees our compliance, risk function and is our Consumer Duty champion. Lee joined @sipp in 2006 and holds the Certificate in Financial Planning.

Aileen Mungin, Head of Operations

Aileen has been with @sipp for almost 20 years and has worked across nearly all operational aspects of the business, with particular expertise in regulatory compliance as well as FCA and HMRC reporting. In 2016, Aileen was appointed Operations Manager accountable for the efficient management of the customer services area.

Matt Storey, Head of Business Development

Matt joined @sipp last year and is responsible for delivering our ambitious Business Development plans. He has spent the last 15 years specialising in SIPP and SSAS, and prior to joining us, was a Business Development Manager for XPS Pensions covering many parts of the UK. Matt is an extremely knowledgeable SIPP and SSAS specialist, and highly adept at supporting the financial adviser community by delivering innovative solutions in the self-invested pension space.

2.2 Has your management structure fundamentally changed in the past few years?

- If so, why?
- What has materially altered as a result of the change?

The leadership has developed over recent years with Stephen Lancaster being promoted to Finance Director and the addition of Matt Storey as Head of Business Development. Overall, however, the executive team largely consists of the same people as in the previous guide meaning we have a good mix of continuity and knowledge of @sipp while also bringing in new industry insight and experience.

As well as Matt our Business Development team has also benefitted from the addition of Kerry Houghton, a very experienced hire from Mattioli Woods, to cover the north of England and the promotion of Ross McNicol to Telephone Account Manager for the south of England.

2.3 Can you share with us the number of staff employed in each of the past 6 years? Will this materially change in the next 5?

2018	2019	2020	2021	2022	2023
53	67	66	55	52	58

We have resumed the pattern of steady growth in our staff numbers following a period of reduction throughout the Covid pandemic, resulting mainly from reduced adviser activity levels and the implementation of operational efficiencies in our remote working model.

The long-standing practice of the business has been to invest in additional resource ahead of demand to ensure continuity of service whilst we continue to grow. In keeping with this policy, we are actively recruiting to ensure staff are hired, trained and have hands-on experience before they are needed under our business development plans. The expectation is therefore that there will be continued steady growth in staff numbers over the next 5 years.

2.4

What proportion of your revenue is made up of SIPP business?

95% of revenue comes from SIPP with the remaining 5% from SSAS business.

2.5

Are there any cases/business types that you would turn away?

When was the last time you did this?

We will not accept any non-standard asset proposal which fails to meet our due diligence checking (e.g. poor financials, track record of board/any sanctions against principals, ability to value, insufficient regulatory oversight). We will also not accept insistent client transfers from a defined benefit arrangement.

We actively monitor overall business levels to spot trends such as concentration risk and "spikes" – e.g. an adviser who wishes to write a high proportion of business in a particular non-standard asset.

Where a new asset is proposed to us, we may also seek additional due diligence information from in:review, which specialises in reviewing alternative investments.

However, the ultimate decision as to whether an investment is acceptable rests with ourselves. We have a dedicated team responsible for investment governance and oversight and our processes are also subject to twice-yearly external compliance reviews. The combination of these and our internal risk and governance controls helps give comfort that we can safely administer investments across the risk spectrum with no exposure to toxic assets such as Harlequin.

@sipp does not accept business from unregulated introducers.

2.6

What level of non-standard assets do you have on your book? Have you had to take any action to mitigate any risks in this area?

3.6% of our SIPP book hold non-standard assets. Generally, we expect the proportion of non-standard assets within our book to continue to decline, as has been the case over the last 6 years – as existing non-standard assets reach term and the take-on of SIPPs involves predominantly standard assets.

To control the quality of non-standard asset take-on requests are assessed against our defined risk appetite, which considers 7 key risk categories. Ongoing risk identification is also undertaken against this framework.

2.7

How do you take into account governance factors when running your business and in terms of the investments you permit and the advisers you work with?

As regulatory feedback to our industry has continually reinforced the expectation that SIPP operators are responsible for the quality of the business they administer, our governance decision making is largely focused around this expectation.

For example, this has informed our policy not to accept business from unregulated introducers or to facilitate an entire SIPP fund to be invested in non-standards asset.

Our governance structure utilises both in-house (Board, executive management and compliance & risk function oversight) and external resources (for example, we are subject to half-yearly regulatory third-party audits). This structure enables a range of views to considered, as well as allowing constructive challenge.

LANG CAT VIEW

The key details in section 2 centre around, again, non-standard assets and then the senior management team and general staffing. Staff numbers do appear to be back on the rise post-pandemic and that chimes with an apparent desire to grow and bring on new business, as emphasised in the previous question (2.2), with the strengthening of the business development team. We think any modern due diligence exercise would further dig into the effects of the pandemic on any provider business, looking at how it disrupted and shifted plans.

Back to non-standard assets, which have been elaborated upon since Section 1 where @sipp identified the proposition and risks. Here it digs into its process for keeping that risk down in any new business completed.

Red lines on insistent transfers from DB schemes and business from unregulated introducers alongside stringent criteria for non-standard asset proposals are firm stances to take. And a dedicated investment governance and oversight team is worth noting in a smaller provider.

We would want to dig further in continuing due diligence on the 7 key risk categories (2.6) and what the risk identification framework looks like. Also it would be good to know how any non-standard assets are benchmarked against those categories in practice.

Staff details are what they are but it's good to see @sipp identify its Consumer Duty champion.

No later than 31 July 2023 will all firms need to have everything in place for the implementation of Consumer Duty. The regulation sets higher and clearer standards of consumer protection across all of financial services, requiring firms to put their customers' needs first.

Mike Barrett, Consulting director

For advice firms, one of the most important areas of new standards will be their research and due diligence process. Whether the advice firm is running a centralised investment proposition (CIP) or using on or off-platform solutions, the regulatory requirements are clear:

> ***"Where a firm works with others in a distribution chain and conducts due diligence on those other firms, it should consider the Duty as part of that due diligence."*** [1]

In practice this will require more interaction between product providers (manufacturers), like @sipp, and advice firms (distributors), with increased focus on ensuring products and services are targeted at consumers for whom they are demonstrably suitable. All firms will be required to assess and document the target market for their products and/or advice services, and will also have to show these products or services represent good value for money.

The first step for a research and due diligence process is to agree the appropriate structure, roles and responsibilities. Depending on the available resource, smaller advice firms might consider appointing someone to be responsible for their research and DD process. Ideally this could involve several individuals, perhaps a director retaining overall responsibility who's supported by an adviser or paraplanner to conduct the research elements. This helps develop a "culture of challenge", involving all areas of the advice business in selecting the best solutions for their clients. Under the Duty, larger firms are required to appoint an individual to the "Consumer Duty Champion" role at board level. If the advice firm is large enough, the research and due diligence process should report, at least via a dotted line, into this role.

The next step for the advice firm is to document their own target clients. These target client definitions should focus on client needs, characteristics and objectives, and should be reviewed on a regular basis to confirm they accurately reflect the firm's existing and intended customer bank.

Having documented the wants and needs of your target clients, the next step is building products and services that meet these needs. For advice firms this will often mean combining advice and planning services with the most appropriate products (platform, off-platform services, investments etc). The advice firm will be directly responsible for the former, and under Consumer Duty will be required to make sure these services are appropriately documented and assessed to demonstrate how they deliver value for money.

It is at this point that the interaction with providers should occur. Like advisers, all providers are required to have documented their own target market and conducted their own value for money assessments. Advisers should review these documents as part of their research and due diligence process, checking that subsequent product selections match the needs of their own target clients.

With all this in mind, I want to know three key things from @sipp with respect to Consumer Duty:

1 Who's your target market?

The flexibility and open architecture that a SIPP offers means it can cater to a wide variety of demographics, differing levels of knowledge & experience, risk tolerances and client objectives & needs.

In practice, selecting a pension product is often a secondary decision – with the selection criteria based on what can accommodate the client's desired investment strategy.

1 FCA – FG 22/5 Final non-handbook Guidance for firms on the Consumer Duty, July 2022

From this perspective, obvious positive and negative target markets are:

Who it may suit	Who it may not suit
Outsourced investment solutions – for example, involving a DFM or multi-asset funds	**Advisers running own models** – likely to need investment platform functionality to operate this
Client with interests in commercial property – commonly business owners with the need for business premises	**Outsourced MPS** – tends to be more cost-effective when accessed via an investment platform

2 What are foreseeable harms you see exist for this target market, and what steps are you taking to mitigate them?

As an example of our Consumer Duty strategy we have considered mitigations to tackle risks borne from changes of state, e.g. client parts ways with their adviser, investment is sold or matures and leads to overweight cash holdings, or client experiences a life event which makes them especially susceptible to harm.

Once identified, our approach seeks to engage and then monitor to see if the expected change follows. If not, re-engagement and continued monitoring will be required.

Sadly, for the wider financial services sector fraud and scams remain a real and present threat. We mitigate this risk through detection and prevention systems, continual staff training and client warning messages.

3 How are you evidencing VFM for that target market?

Whilst fair value is about more than just price, it's a good place to start when looking for a suitable and value for money proposition. We are competitively priced against the platform market and our menu-based charging structure that ensures clients only pay for the services they actually use.

Pricing analysis is available on our website.

@ Pricing-analysis

Our fixed-fee charging structure can allow clients to reduce their charges, when compared to alternative products with percentage-based (cross subsidy) charging structures.

Competitive service levels combined with a personal service and BDM support offering face-to-face expertise also add value. Customer satisfaction is continually measured across a number of metrics.

Our proactive and 'hands on' property administration approach, coupled with a property team with many years' experience, means in many cases we conduct a lot more of the administration work involved in leasing a commercial property than most SIPP operators. As such, the client does not necessarily have to carry the additional cost of an annual third-party Property Manager fee, although they are able to appoint one if they so wish.

LANG CAT VIEW

Overall this is an impressive response from @sipp. Not many product manufacturers, or regulated businesses for that matter, have been able to map out their distinct target markets at the time of writing, let alone those it may not be suitable for. @sipp must definitely be commended for that.

Compliance with Consumer Duty is a tough challenge so we're not looking for perfection here, especially considering this a due diligence exercise; we don't want the full handbook laid out. This is a concise response and @sipp has clearly considered its proposition, who it's built for and any foreseeable harms. This customer understanding is the foundation of the Duty, so everything built on top, such as client communications, vulnerability identification and ensuring good outcomes, has a good chance of being just as strong.

3.1

What is the legal structure of your SIPP offering?

The @sipp scheme is a registered personal pension scheme, written under Master Trust. The SIPP assets are held for the sole benefit of the scheme and its members by @sipp (Pension Trustees) Limited, a non-trading company whose whole purpose is to act as trustee to the @sipp scheme.

@sipp Limited undertakes all administration in relation to the @sipp scheme. This structure ensures the SIPP assets are protected by being held separately from the trading business of @sipp Limited.

3.2

Do you have a menu of products i.e. full, single SIPP? If so, what are the implications of one of our clients moving between the options should their circumstances change? What are the practicalities (annual fees, policy numbers etc)?

Yes, we offer a choice of four branded SIPP options – namely Solo, Solo+, Collective and Full SIPP. Clients are free to move through the options (up or down) to suit their desired investment approach at any given point in time.

No transfer is involved where clients wish to amend their choice of investment. This also applies where a client wishes to draw PCLS or income from the fund.

From a pricing perspective, we offer a pay-as-you-use-approach – ensuring clients only pay for the investment options and services that they require at any given point in time.

3.3

What is the current split of your AUA (between standard, non-standard, property and cash)?

Our current SIPP book has AUA of £1.7bn as at 30 December 2022, which consists of 78% securities, 15% property, and 7% cash.

By value, non-standard assets account for less than 1% of our AUA.

Including our SSAS operation, the business has AUA of circa £2bn.

3.4

Do you own your underlying technology or do you outsource? Why do you favour the approach you take?

In common with many providers in our sector, our core administration system is provided by Delta Financial Systems (part of the Bravura group). Delta's technology helps administer one in three of every SIPP and SSAS in the UK – worth £34bn – for 150,000 members and is trusted by some of the largest financial services brands in the UK, such as Curtis Banks and Legal & General.

Using Delta's technology (namely SIPP~Pro and SSAS~Pro) provides significant cost efficiencies versus the alternative of an in-house build. Delta also has a proven track record, spanning at least 25 years of on-time delivery to meet legislative change e.g. various amendments to income drawdown rules and the pension freedoms. It also stands out from other providers for its rich functionality for property administration.

Section 3: Proposition

HOW I RELEARNED TO LOVE DUE DILIGENCE

3.5

When was the last time you made a significant change to your underlying technology?

Do you have plans in the short to medium term to upgrade all or part of your underlying technology?

There have been no significant changes to our core underlying technology, but over the short-term we will move to Delta's cloud-based administration platform – Platinum Pro.

Digital plays an important role in the future of the @sipp business. We have already taken positive steps over the last 6 years to enhance the service we provide using digital technology. This has included the adoption of VoIP, electronic workflow and authorisation, secure email communications, cloud document storage and publication, and SFTP integrated investment feeds.

It is one of our strategic aims to continue to enhance our digital offering. The adoption of Platinum Pro will contribute to the delivery of this objective.

3.6

What can we do online? Give us a breakdown of the level of information and transacting that we can access, the extent to which advisers can self-serve online. How can advisers access data at firm level? Is there a dashboard?

Advisers and clients can self-serve the majority of enquiries they may have via our dedicated online portal.

This allows advisers access to all client data which includes:

- Contributions and transfer values received
- Overview of investment holdings and last known valuation
- Banking transaction history
- Details of benefits drawn/income taken

Should you wish to see a demonstration of our online portal, please contact our business development team.

3.7

What support do you offer for commercial property purchase?

We are passionate about property in pensions and pride ourselves on our technical knowledge and ability to support clients in this area of the market. This capability in the commercial property sector has also been a key component of our successful growth over the years. We currently hold around 1,000 properties with a combined value of over £258m.

We operate a dedicated property administration team which supports our team of business development managers. Our BDM team are highly skilled in this area and act as technical specialists, able to provide key support and guidance on any property type and client proposal.

We are supported by a panel of experienced SIPP and SSAS legal experts. Our panel has agreed a common set of processes and documentation. This consistency of approach helps our operational colleagues process deals as quickly as possible. This is very much about adding value for our clients as opposed to any commercial benefit for @sipp since we draw no additional remuneration from our panel arrangements.

We are also happy to support non-panel legal appointments at no additional cost to the client.

Further details about our property panel and our guide to property purchase are available on our website.

@ panel-solicitors @ property-guide

3.8

What level of technical support can you offer advisers?

In addition to our field-based support, we also engage with our advisers through regular email marketing which includes company, proposition and technical/legislative updates.

We are very happy to support advisers with CPD sessions on either a group or one-to-one basis and we also run seminars/webinars for advisers and their professional connections. These are typically led by our dedicated technical services team and/or adviser support.

Our technical expertise is also evidenced by our frequent trade and business press articles.

3.9

How do you address and respond to ESG concerns in the running of the business?

We recognise the important role financial services firms, including @sipp, have to play if a fair and sustainable long-term future for all is to be achieved.

We are committed to doing the right thing – as an employer, in our community and in our environmental approach. Recent examples include non-managerial staff receiving additional pay (£350 per month) to help cope with the cost of living crisis, significant charitable donations and sponsorship in local communities.

ESG issues plays an active role in the decisions we take as a business.

LANG CAT VIEW

Here too @sipp is transparent, sharing the split of its AUA. The 15% commercial property portion is a drop from the 21% reported in 2017. Interestingly, the 7% of client book held in cash is also a smaller figure than that of 9% in the previous edition of this guide.

But the bulk of this section, as the name suggests, focuses on @sipp's proposition. This is the start of advisers getting a sense of the @sipp experience. Commercial property demands a particular skill set and these answers should give a decent sense of @sipp's capabilities.

We can glean from these answers that technology is and has been a key area for the company over the past six years, not least, one suspects, because of pandemic-driven upgrades. The upcoming shift to Delta's new Platinum~Pro system sounds like it will further the digital cause. Bringing the buzzwords 'Consumer' and 'Duty' back into the mix, the promise of greater integration of data feeds should benefit @sipp and its compliance with the regulation, not least with greater connectivity to other providers and, of course, the financial advisers it serves.

We should also give a small shout out to its efforts to help employees through the cost of living crisis. Some £350 extra per month to non-managerial staff will have gone a long way to helping them cope with rising costs in tough times. A big ESG tick right there.

4.1

How often do you review your charging structure? Do fixed fees escalate alongside an inflationary measure?

Our pricing is regularly benchmarked against our competitors and formally reviewed at least annually. Our current charging structure is available on our website.

@ charging-structure

We aim to retain both simplicity and transparency in our charging approach.

4.2

When and why was the last time you made:

- **A minor alteration to a price point?**
- **A fundamental change to your pricing policy?**

Like many of our peers in the self-invested pensions market, we applied an inflationary increase (CPI) to our pricing. This occured in April 2023. Our fees remain amongst the most competitive in the market, with the obvious benefit to clients being that our charges are on a fixed rather than percentage-based basis.

We took the decision however to freeze the annual fee for our low-cost Solo SIPP, for the advised market, ensuring that we can continue to offer a market leading solution combined with excellent value for money.

Last year, we also took the decision to exempt members holding non-readily realisable cash deposits from the non-standard asset charge.

4.3

Do you impose exit penalties?

There is no penalty to access benefits. Transfers out to another provider are subject to a charge to cover the costs involved in meeting the requirements of the receiving provider. Details of these charges are contained within our fee schedule.

4.4

How are adviser fees and product charges deducted from the plan? Do you impose a %/£ cash balance minimum?

Product charges are paid at outset then on the plan anniversary by deducting the sum due from the client's cash holdings. Similarly, adviser charges can be facilitated via the plan with ongoing advisory fees typically paid either monthly or annually. Alternatively, adviser charges can be facilitated via the SIPP investments.

We do not have an explicit minimum cash balance, though we reserve the right to realise investments to settle product charges as and when appropriate.

4.5

What's your policy on cash interest, and how often do you review it and make changes?

The cash account established for our SIPPs is intended for use as a current account, and should be used as such.

@sipp Limited may receive payments from banks based on aggregate cash balances held across all accounts. The amount received will vary depending on the total cash balances held and market interest rates. We expect to receive between 0.00% and 0.50% above the prevailing Bank Rate, although this may be higher or lower when interest rates are volatile.

Unlike an investment platform, clients are free to hold any number of additional deposit accounts (either directly or on a cash management platform) over and above the SIPP cash account. There is no additional cost for this.

Interest is currently paid on the designated SIPP deposit account at a rate of 0.60%. The rate paid on the SIPP cash account is subject to regular review.

LANG CAT VIEW

THE LANG CAT

There's been much debate around cash on platforms recently and there's no reason that shouldn't extend to off-platform pension providers.

@sipp's transparency on the matter of cash rates in this document is creditable but a detailed follow-up due diligence exercise would normally try to establish the split of retained interest versus that paid to clients.

Elsewhere on the topic of fees, in the original version of this guide we said, "we can't let @sipp's exit fees pass by without comment, but they are in line with the market so that's more of an industry issue." The same sentiment follows here six years on, but this time there's a key difference. No prizes for guessing what regulation that is.

The FCA consistently urges firms to avoid charging customers "unreasonable" exit fees in its guidance on Consumer Duty. @sipp says it charges an exit fee to "cover the costs involved" when transferring to another provider. Our challenge to @sipp, and indeed any provider levying any kind of exit fee, is whether they will stand up to the scrutiny of the regulator's new regime.

On the topic of fees more generally, @sipp's flat fee structure offers simplicity for advisers and clients (viewable via the link in 4.1). And, as with all flat fee arrangements, offers good value for any money held at scale. We don't imagine a specialist SIPP provider has many small pots to worry about, but of course the converse is true: flat fees are expensive for more modest holdings.

5.1 Will we have a named contact at head office looking after our book of business?

Yes, advisers and clients have direct access to our entire team.

Our senior team is supported by both advisory and technical support colleagues. On the operational side, we do not operate a call centre approach. For our SIPP products we operate a cradle-to-grave service, which includes our operational managers and team leaders. They would be responsible as first point of contact for client specific queries and are assisted by our dedicated team of commercial property specialists.

All aspects of our SSAS operation (including property) are dealt with by our specialist SSAS team in Essex.

5.2 Are your CS/admin staff one and the same or are there segregated call centres?

As confirmed above, we do not operate a call centre approach. Our telephony system guides callers to the appropriate area (e.g. pensions, property) ensuring a substantial number of calls can be dealt with on a one touch basis.

5.3 Do you offer online/web chat help?

We support Skype, Zoom and Teams calls on request.

5.4 When are your offices open?

Monday to Friday, 9am to 5pm.

5.5 Do you publish service standards? Are you willing to report against your success rate?

Yes, our internal benchmarking of these standards versus our peers compares very well. In addition, our complaints history is very low with complaints running well below 1% pa.

Section 5: Customer service and technical support

HOW I RELEARNED TO LOVE DUE DILIGENCE

5.6 What was your response to the pandemic? Did it have a material change to staff or service standards?

We have maintained our long-standing service standards, but, like many companies, we have moved away from the in-office only working model. We now operate a hybrid working model, with the working week split between in-office and remote working.

5.7 Has your service approach changed to become more digital or less paper-based? Do you require wet signatures?

The adoption of digital technology has enabled us to support a hybrid working model, giving our staff the associated benefits of this, but allowing us to maintain the high level of customer service our customer base has to come to expect.

Many of our processes have become paperless and do not require wet signatures.

5.8 What is your ratio of admin/CS staff per single SIPP account?

1:200

5.9 What is your ratio of admin/CS staff per adviser firm?

1:10

LANG CAT VIEW

In many ways this is what advice firms will really care about: how well is this company going to look after us? Is it going to make my life easier or harder? While the financial and regulatory points all matter, never underestimate the power of the softer stuff.

For instance, it's positive to hear many processes have become paperless. With further probing we would want to know which processes remain paper-based and why.

The complaints statistic is a neat metric to use (5.5) and does offer an insight into adviser and client satisfaction. For reference, this figure is unchanged since 2017.

This is a particularly interesting section because it's hard to define service and even harder to make a judgement on an offering before actually placing business with a provider, whether it be @sipp, a platform, DFM or any other type of product manufacturer. We can ask questions until the cats come home but we won't truly know how strong a service offering is until it's experienced first-hand, and we take the plunge.

What makes it even more interesting is the effect the omnipresent Consumer Duty could have on service and due diligence. Good service remains important but should no longer be what one might call a 'top tier' deciding factor. The regulation is clear that all viable providers should offer an appropriate service level to their clients, so it can't really be considered the big differentiator it may have previously been for some advisers. For example, it may be that cost is more of a defining factor when providers are neck-and-neck, as it were, in the race to be selected.

Having worked through the lang cat's question set, now is a good time to reflect on the years since the last issue of this guide: our expectations that played out as we thought they would, the genuinely unexpected and, perhaps most importantly, what we can take from it all into the future.

Let's look at these through the three lenses of our business, our sector and our product, even though these are all inevitably interlinked.

The @sipp business

The most obvious – and unforeseen – aspect of those intervening years was the global pandemic. Among its many impacts was a challenging environment for advisers, which was more or less one and the same for us as a business.

From those challenges we have been able to develop and improve how we work, driving speed and scale to benefit our clients and colleagues alike. Tangible benefits include removing barriers so more can be done online and being able to offer our staff, our most valuable resource, a better work-life balance through hybrid working.

We have always held great confidence that our business is highly robust and resilient. We now know this with an even greater certainty, having experienced an actual, prolonged stress test.

The SIPP sector

From the unexpected to the largely expected: the continued reduction in the number of operators in our sector.

Naturally SIPP operator failures grab the headlines and rightly raise questions in the adviser community around due diligence best practice. Financial strength is, of course, important. But due diligence needs to consider more than just the usual accounting metrics.

Providers with higher exposure to non-standard assets within their client portfolio almost certainly deal with the added challenges of managing those assets both effectively and efficiently. Moreover, their regulatory capital requirements are greatly amplified by a capital surcharge always intended to disproportionately increase reserves beyond minimum capital requirements (based on AUA). A higher requirement and the level of funds held in comparison can be an indicator of wider financial strength or indeed stress.

Asking for a SIPP operator's proportion of non-standard assets is a valid and important starting point, however it's also just as important to apply the necessary context. This is not an exact science and even rating agencies can get it wrong on occasion.

While non-standard assets in general have been the downfall of some SIPP operators, not all non-standard assets should be feared; for example, fixed-term cash deposits. These are caught out by the FCA definition of a non-standard asset; however, they are widely used, suitable for many clients and generally viewed as standard by the advice community.

This is another example of why context is so important. 'Non-standard' doesn't equate to 'bad' in these circumstances.

Whilst a reducing competitor base ultimately means less choice it has also driven a flight to quality – which is good news. Furthermore, the SIPP provider market has become increasingly polarised with many traditional personal pension providers and investment platforms moving away from commercial property investment and the essence of self-investment to focus on the fund platform space. This has meant a slimmer 'true' SIPP or bespoke provider market.

From our own perspective, it widens the door of opportunity and we have already laid our foundations to take advantage by increasing the scale of our business development team to provide national support to the adviser community.

LANG CAT VIEW

THE LANG CAT

There is no set way to carry out due diligence and we're certainly not here to prescribe any particular question set or method. Each adviser firm will want to dig deeper into the aspects of a provider's proposition (this is a guide to due diligence after all and not @sipp) for the information most relevant to them.

We picked appropriate questions to give an overview of @sipp as a company, its processes and products. A good due diligence process, we think, should go much further than these exploratory questions and we'd expect the next stage to be much more specific to individual adviser firms and their target clients.

@sipp did a decent job of offering us insight into the inner workings of both company and product set. In between downloading some key statistics and insights it did also offer up a few examples of fluffier marketing messaging, which was to be expected, but overall was satisfactorily forthright.

For a company to open up in public like this is no mean feat and that's even more true as we gear up for a huge regulatory revolution. The Consumer Duty is not something to be taken lightly and @sipp is to be credited for letting us dig into their preparations in the run up to the new regime.

SIPP products

Finally, we arrive at the SIPP product itself where little has changed over the period in terms of how it's viewed.

In our experience, most advisers and planners will have clients who own business premises and who should at least consider whether such a valuable asset would benefit from being held in a tax advantageous wrapper.

We also firmly believe that the changes in the 2023 Spring Budget to remove the Lifetime Allowance and increase the Annual Allowance may create significant opportunities for advisers to consider with these clients. The caveat, of course, is that the Lifetime Allowance might return in some form after the next general election. We'll see what unfolds in time.

On firmer ground we have The Consumer Duty, which will also help as firms document clearly defined target markets and review these on a regular basis. In general the Duty should mean closer links and better mutual understanding between adviser firms and the providers they choose to work with.

Our passion for self-investment has never been stronger and we are absolutely committed to promoting the benefits of SIPP and SSAS, challenging the odd misconception, and providing the finest standards of support and technical expertise to advisers and clients as experts.

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