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TO ALL CLIENTS

Dear client

Hartley Pensions Limited – In Administration

I refer to recent correspondence regarding the above-named Company.

As clients will be aware, five clients have confirmed their agreement to act as representative respondents and they have chosen FS Legal to act on their behalf. Clients were advised that there were six clients, however unfortunately one has had to withdraw due to personal circumstances.

FS Legal has asked that the enclosed letter be circulated to clients. You will note that their letter makes reference to clients registering on their portal and I would recommend that clients register on the portal in order to be able to access all correspondence issued by them. Please note neither the administrators nor the Hartley team are able to comment on the contents of the letter and any queries should be directed to FS Legal.

Please be aware that FS Legal are seeking funding from clients with regard to the legal costs involved in representing the respondents however there is no legal obligation to contribute towards this and this is on a voluntary basis.

Also enclosed is some further information on the progress of the administration. Please note that the application to court has been issued and a court date of 29 February and 1 March 2024 has been set.

Clients are reminded that updates are also regularly added to UHY's dedicated webpage at www.uhy-uk.com/hartley-pensions-limited-administration.

Yours faithfully
For and on behalf of
Hartley Pensions Limited



Peter Kubik
Joint administrator

Encl.

What has happened to Hartley Pensions Limited ("Hartley")?

As you may be aware Hartley entered into administration on 29 July 2022. This decision was made as a result of serious operational and regulatory issues which caused the Financial Conduct Authority ("FCA") to impose a number of voluntary requirements on Hartley. Upon seeking professional advice, the director of Hartley concluded that Hartley was or was likely to become cash flow insolvent in the future and therefore opted to place Hartley into administration. The administration of Hartley is conducted by Peter Kubik and Brian Johnson of UHY Hacker Young LLP (the "**Administrators**").

What is Administration?

Administration is an insolvency process whereby Hartley has been placed under the control of insolvency practitioners who will manage the affairs of Hartley, instead of the director.

The Administrators have a statutory objective of achieving a better result for the creditors as a whole than would be likely to be achieved if Hartley were wound up (without first entering administration). As such the Administrators have been operating Hartley since 29 July 2022 (when it first entered administration) in order to transfer out all SIPP clients to a new provider.

What is the alternative to Administration?

The alternative route to Hartley being in administration and the Administrators transferring all SIPP clients to new operators would be to place Hartley into liquidation. This would have a detrimental impact for all SIPP clients as they could be faced with a de-registration tax charge. This de-registration tax charge is 40% of the cash held in the SIPP plus the market value of any other assets held within the SIPP immediately before it is de-registered.

Can I transfer my pension to another provider now?

The Administrators are incurring costs in continuing to administer the SIPPs and Hartley cannot continue to trade in administration without further funding. This is because prior to Hartley entering administration, its source of revenue was a combination of the charges placed upon clients for the establishment of their SIPP within Hartley and the continued administration of their SIPP thereafter. However, as the Administrators team are made up of professionals with attendant market charge-out rates which are higher than the salaried costs of the employees at Hartley, the annual administration charges are insufficient to cover the costs of continuing to administer the SIPPs, identify and agree terms for new operator(s) and subsequently transfer the SIPPs to the new operators.

As a result, the Administrators intend to replace the current annual administration fees with a single 'exit and administration charge' ("**EAC**"). Whilst the SIPP client's terms and conditions grant the Administrators the authority to impose the EAC, the Administrators have filed a court application seeking confirmation that the Administrators can validly apply the charge, whether under clients existing terms and conditions, or under amended terms and conditions.

Therefore until such time that the court application process has finished and the EAC has been imposed, the Administrators are unable to process any transfers out of clients to new operators.

Do I get a choice on which provider I am transferred to?

Yes, all clients will have the opportunity to identify which new provider they wish to transfer to.

What is the update on the Court Application and how long will a transfer to a new provider take?

The Administrators have now issued the court application with a hearing date of 29 February and 1 March 2024. Therefore the Administrators expect to commence the transfer out process in March 2024. It is expected that a transfer out of all clients to new appropriately regulated operators will take 12 months and therefore clients can expect the latest that they will be transferred out to a new operator is February 2025.

How is the EAC fair?

An informal committee of clients was formed which consisted of six clients, two independent financial advisors and two client group representatives. The aim of the committee was to represent a broad range of client interests to assist the Administrators in reviewing the various cost models proposed to calculate the EAC. The committee ensured that all potential considerations have been taken into account when deciding on the fairest possible manner in which to calculate the EAC.

As part of the court application process, the Administrators have discussed various matters of the administration including the basis of the EAC with the representative respondents, which consist of one member of the committee and four other clients.

The various cost models considered included:

1. Fixed fee per client – this is a flat charge for all clients regardless of the type or number of assets that they hold in their SIPP.
2. Percentage charge – this model is a fixed percentage of the asset value held. However any percentage based model was deemed by the committee to create a wide fee spread between clients and was therefore unfair.
3. Hybrid charge – This model is based on the asset type of each client holding. Each client would be charged a fixed fee to cover trading and management costs, as well as a separate fee for each type and number of assets held.

Through discussions with the committee it was deemed that the most appropriate models were the fixed fee or hybrid charge. These two final models were then discussed with the representative respondents and it is considered that the hybrid cost model is the most suited because it eliminates cross-subsidisation among clients however the representative respondents have not yet made a final decision on the model.

If the hybrid model is selected, based on the current financial information, the fees are:

Asset type	Individual asset transfer amount per asset (£)
Fixed element (trading costs, every client will pay this cost)	3,157
Cash	138
Property	5,935
Loan	2,666
Platform	174
Non-platform	5,741
Toxic	207

If the fixed fee model is selected, based on the current information the fee would be £4,820.

Each client will be expected to pay their share of the EAC and will have the option to pay from their SIPP or directly to the Administrators. Should there be insufficient funds within the SIPP, clients will not be pursued for the balance. However, they will not be allowed to draw down to diminish their SIPP value beyond the EAC. In the event that there is insufficient cash held in a SIPP, the Administrators have the option to liquidate assets should the client not wish to pay personally.

Do I need to do anything?

No action needs to be taken at this stage whilst the Administrators are undergoing the court application process. Once this process has been completed, the Administrators will be in contact with all clients on the next steps.

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Your Ref:

21 December 2023

Dear Hartley SIPP Account Holder

Hartley Pension Limited (in Administration) “HPL”

Our clients - the proposed Representative Respondents (“RRs”) in the matter of the Part 8 application for an “Exit & Administration Charge” by the Joint Administrators (“JA”) of HPL

The Part 8 application by the Joint Administrators has been made for a circa £40m Exit & Administration Charge. The court will be asked to formally appoint the 6 Representative Respondents, who we are to act for (to respond to the application).

1. We have already set up a portal to provide information to SIPP account holders and to generally inform them. This portal has approximately 15% of the 16741 within it. We need to significantly raise this number and would urge all SIPP account holders to join the portal immediately (details below).
2. The Joint Administrators have made it clear to us and to the FCA, that they will not have money to trade with much beyond Q1 of 2024. Without funding, Hartley Pensions Limited will go into liquidation. Liquidation will have the effect of the scheme operator ceasing to be active.
3. The job of the Representative Respondents (and us as their legal advisers) is to assess the legal merits of the Part 8 application. This could include agreeing with the legal stance taken by the Joint Administrators, agreeing with part or contesting the whole application. The work will also include considering the effects of a liquidation, any potential tax charges (due to de-registration) and any other options which could be properly put as an alternative to the Part 8 application.
4. Normally, in any application such as this, the legal costs of the RR’s would be met out of the administration. However, due to the financial position of Hartley Pensions

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Limited (needing a £2m cashflow loan), the joint administrators are unable to provide funding.

5. Since 20 November 2023, we have sought to raise voluntary funding from SIPP account holders. To date, we are only part funded.
6. The need to be able to communicate with the 16741 is two-fold. Firstly, to be able to canvas the views of the 16741 (and thereby satisfy ourselves that the majority are engaged) and secondly to seek the balance of the funding for the RR's legal advice.
7. We have an alternative to voluntary funding, which is to apply to court for a Pre-Emptive Costs order. E.g. to ask the court for the funding to be made available from the SIPP accounts. Quite apart from this being not being voluntary, this approach will take time and will cause delay. For all the reasons set out above, we would like to avoid the need for this application.

NEXT STEP

There is only one step. Join the 16741 SIPP account portal.

www.hartleypensionsgroup.ning.com

When you arrive on the site, you will see details of the Part 8 application and how we intend to deal with it. We have asked the Joint Administrators to send out this letter during the Christmas period, so that the voluntary funding can be ongoing.

We will return to work on the 3 January 2024 and will then be able to deal with any queries.

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