

Important Announcement to members of the following pension schemes (“the Schemes”)

Bovey Cranbrook Retirement Benefits Scheme
Cotswold Ash Retirement Benefits Scheme
Dunoon Glen Retirement Benefits Scheme
Lulworth Trent Retirement Benefits Scheme
Mendip Beech Retirement Benefits Scheme
Morton Glen Retirement Benefits Scheme
Pennine Elm Retirement Benefits Scheme
Powderhan Exe Retirement Benefits Scheme
Rait Fell Retirement Benefits Scheme

Background

Dalriada Trustees Limited (Dalriada) wrote to you previously regarding your membership of one of the above named Schemes and we now want to update members on the current position and the actions we have taken since our appointment.

To confirm, on 19 September 2013 Dalriada was appointed by Court Order as independent trustee with exclusive powers to the Schemes. All trustee powers and rights are now held by us.

Dalriada’s role as independent trustee is as follows:

- To administer the Schemes,
- To manage the Schemes’ assets and understand the nature of all assets held,
- To act in the best interests of all members and beneficiaries,
- To assist the Pensions Regulator with any enquiries in relation to the management of the Schemes.

Dalriada was appointed to the Schemes because of the Pension Regulator’s concerns that they had been used for ‘pension liberation’ or were simply just scams where members were at risk of losing all of their pension fund.

Pension liberation occurs where individuals are encouraged to transfer their existing pensions to new schemes in the expectation of getting money from their pension fund before the minimum retirement age of 55, either by way of a loan or some other form of cash inducement, often without being given the full facts about the risks and costs involved.

Schemes used for pension liberation put members at risk of having to pay large amounts of tax. Pension savings benefit from tax relief because they are meant to provide benefits in old age. If individuals try and take money out of their pensions early, HMRC will charge tax on any payment at a rate of up to 55%.

The Pensions Regulator has been running a campaign warning of the dangers of pension liberation. Because schemes used for pension liberation are often just scams this campaign is now called "pension scams" –

www.thepensionsregulator.gov.uk/pension-liberation-fraud.aspx

Generally, schemes that are scams and/or are used for pension liberation have high charges and often invest whatever money is left after these charges in risky and unusual investments. This can result in members losing their entire pension fund.

Members are not usually told about the risk of tax payments, or the charges involved made by those setting up the schemes, or about the way in which funds are being invested.

Administration

Dalriada has received copies of the member files that were seized by City of London Police from the previous administrators. Based on those records we have now created proper administration records on our computer systems.

This is something any company would need to do to be able to run and manage a pension scheme properly and be able to work out members' benefits and provide the necessary benefit statements.

The fact that the previous administrators did not provide this electronic information or even appear to use a proper pension administration system suggests that the Schemes were never intended to be conventional pension schemes.

As well as taking control of the Schemes' bank accounts, Dalriada has also obtained copy bank statements for the Schemes. These have been reconciled against the member files and we have now created the necessary accounting and financial records that will enable us to prepare annual Reports and Accounts for the Schemes as we are required to do under pensions law.

Once the Scheme Reports and Accounts have been prepared and audited, they will be made available to members. Dalriada will contact members again at that time.

Again, Dalriada received no financial records from the previous administrators which it would expect to be readily available in the case of conventional pension schemes. The need to construct financial records from scratch has meant a significant amount of work for us.

Dalriada has set up a dedicated helpline number and e-mail address (shown below) should members wish to contact us with regard to their membership of the Schemes or to provide further information – see the **'What should I do if I have any further questions?'** section below.

Investments

Dalriada has been working to gain control of the investments made by the previous trustees.

Dalriada has established that around £12.1m was transferred into the Schemes by way of individual member transfer payments and the vast majority of that money (£10.9m) was paid over to Quantum Life, an insurance company based and regulated in Liechtenstein.

Of the remainder, about £800,000 was paid in fees to the previous trustees and their advisers.

The balance, just over £350,000, was held in cash.

The money paid to Quantum Life has been moved through companies based overseas (in Mauritius) to investments tied, we understand, to wheat farming in Australia and to 'emerging market' funds in Asia (India).

Dalriada has sought information from Quantum Life and, also, from the previous trustees and the Financial Adviser who advised the previous trustees. Generally, they have been unhelpful and uncooperative which is making it very difficult for us to properly understand where funds are held and what they are worth. At this stage, it appears that they are 'highly illiquid', in other words they cannot be 'cashed in'.

Dalriada is trying to find out when it will be able to get funds back into the Schemes, and, at that time, what the Schemes' investments are likely to be worth, if anything.

Dalriada considers the investments through Quantum Life high risk and inappropriate, particularly given the fact that the vast majority of the Schemes' funds have been placed in the one investment. We are concerned that the investment will have little or no value ultimately which will impact greatly on the value of members' benefits. Again, this would suggest that the Schemes might simply be scams.

Dalriada will continue to work in determining how likely it is that it will be able to get some money back from the investments through Quantum Life and, if necessary, what other options might be available (for example legal action).

Previous trustees

The previous Trustees of the Schemes, Francine Becker and David Fellowes, have filed for bankruptcy. A company managed by them (Avalon Pension Trustee Ltd) which it was also claimed acted as trustee has gone into liquidation.

Dalriada has put in claims against the assets of both individuals and Avalon in respect of monies taken out of the Schemes by them for expenses.

The previous trustees received close to £350,000 in fees and expenses, either directly or through Avalon, over the period September 2012 to March 2013.

Current position

Dalriada is continuing to get as much information as it can.

If the Schemes were used for pension liberation and/or were just scams, Dalriada will take whatever action it can to recover funds. To do this, it would be very helpful if members could:

- provide copies of any information you were provided with about the Schemes (for example a booklet or any other explanatory literature)
- say if you were provided with any information about how your pension fund would be invested
- confirm whether you were offered any form of cash payment (possibly by way of a loan) in return for joining one of the Schemes
- if you were offered a cash payment, confirm if the possible tax consequences were explained

- confirm if you received a payment and, if so, how much was it for, who arranged it and where was it paid from.

Dalriada would like to thank those members that have already been in contact and provided some information.

HMRC

As mentioned earlier, schemes involved in pension liberation potentially expose members and, also, the Schemes themselves to tax charges. Dalriada has had some initial discussions with HMRC but it will be some time before the tax position can be established and we can determine what impact this might have.

Costs

Usually, where a scheme is an occupational scheme, some, if not all, of the costs of running the scheme would be met by the employer. The employers linked to the Schemes do not appear to have ever actively traded nor do they appear to have any assets or means to contribute to the costs of running the Schemes. This means that the costs of the previous trustees and its administrators and advisers, as well as Dalriada's costs and legal costs, have been, and will continue to be, met from Scheme funds. The fact that there was no genuine employer behind the Schemes is further evidence that they were not conventional occupational pension schemes and might simply be scams.

Whilst Dalriada will do all it can to minimise costs, because of the number of complex issues associated with these types of scheme, not least the work involved in setting up proper administration records and trying to identify and recover investments, costs will be significant and will impact on the value of the Schemes' funds.

When will I be able to get information about my benefits or be able to draw my benefits or transfer my benefits out of the Schemes?

Until Dalriada is clear as to the value of the Schemes' investments and what HMRC's position will be with regard to tax charges, it is impossible for us to say what the value of members' benefits is or will be, if anything. It may be some months and possibly years before we are able to do so.

Dalriada appreciates that this is frustrating and concerning for members. We will progress matters as quickly as we can (and would repeat our request above for members to provide what information they can to help us in our investigations).

Dalriada will update members whenever something significant occurs or when we have important information. In any event, we will, going forward, issue regular Announcements every couple of months or so.

What should I do if I have any further questions?

Should you have any queries in relation to this announcement or your membership of the Schemes, please contact us.

You can contact us as follows:

Dalriada. A better way

By Telephone: 028 9085 0934

By Post: Dalriada Trustees Limited
22 Great Victoria Street
Belfast
BT2 7BA

Via e-mail: bfadmin@dalriadatrustees.co.uk

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