

Important Announcement to members of the London Quantum Retirement Benefit Scheme (also known as the London Quantum Occupational Pension Scheme) (“the Scheme”)

This is the seventh announcement to members and is the annual update for members on what actions have been taken in relation to our appointment.

As you will recall our appointment was ordered by the Determinations Panel of The Pensions Regulator (the Regulator) under the statutory powers it holds. Our appointment gave us exclusive control over the Scheme. Since our appointment the previous Trustee, Dorrioxo Alliance (UK) Limited and the sponsoring employer, Quantum Investment Management Solutions LLP have been dissolved.

What has happened since the last announcement?

The main work we have undertaken is to try to recover the money held in the remaining investments and have this paid back to the Scheme. Due to the nature of the investments this is not straightforward and is taking time to progress. We understand that it is frustrating for members who, rightly, want to access their benefits. However, as we will explain in this announcement, a quick resolution of matters to allow us to calculate members’ entitlement has not been possible to date.

As outlined in our sixth Announcement we continue to attend to the legal and governance obligations in relation to the Scheme. This includes holding trustee meetings, undertaking risk reviews, preparing accounts, preparing a Chair’s statement. Copies of the accounts and the Chair’s statement can be found on the members’ website. Details are set out later in this announcement.

Taking Benefits and Transfers

In order to allow payments to be made from the Scheme, either by way of taking benefits or transfers to other schemes, we have to be able to place a value on your benefits within the Scheme. To do that we need to understand:

- The final value of the remaining investments – really this is only possible once we receive a cash settlement from these investments;
- The level of the Scheme Sanction Charge that HMRC has told us it intends to levy on the Scheme; and
- Scheme costs and how they can be fairly apportioned amongst members.

The current position with regards to each of the above points is summarised below. Until we have clarity on each of these points we cannot value members’ personal accounts and cannot pay

members' benefits, make transfers or issue statements of benefits. This applies regardless of whether members have exposure to unrealised investments or not.

The Final Value of the Investments

One of the reasons that the Regulator sought the appointment of an independent trustee was its concerns over the nature of the investments made by the previous trustees and whether they were appropriate investments for an occupational pension scheme. As outlined in our sixth Announcement, the advice we received from an appropriately qualified investment advisor is that the investments are inappropriate for the Scheme and, where possible, the Scheme should exit the investments. The investments in London Quantum One Limited, Mallets Solicitors Limited and Colonial Capital Group Limited are highly unlikely to return anything to the Scheme. To pursue recovery would cost more than any return they might realise. We cannot see that to be good use of Scheme funds so we have written the value of these investments down to zero.

On a more positive note we have received a full return of the money invested in The Resort Group (£485,151) plus interest and we received £764,278 of the £1.028m invested in the Quantum PYX Managed FX Fund.

We are negotiating with the remaining investment managers to recover funds where possible.

We have set out below an update of the progress made.

Dolphin Trust GmbH

Amount Invested

£424,641.88

Current Position

Payments from the nine Dolphin corporate loan notes are due to begin in October 2019 and be fully realised by April 2020.

We have investments with Dolphin in other schemes to which we are appointed and some of these are due to make a payment this year. Receipt of monies from these investments will give us an indication of the likelihood of a return for the London Quantum Scheme and allow us to make a decision on the course of action required which may include revisiting the possibility of requesting an early exit from the investment and what reduction in return might be offered (an offer was received for an early exit payment however, after taking appropriate advice, the amount offered by Dolphin was deemed unacceptably low).

Park First Glasgow Limited

Amount Invested

£340,000.00

Current Position

Previously there has been some dispute between Dalriada and Park First Ltd. over the validity of the contract on the basis of incomplete paperwork on behalf of the previous trustees. We did consider a legal challenge to this however, on balance, we have decided not to pursue that, for the time-being at least.

In December 2017, the Financial Conduct Authority (FCA) announced that it had taken action in respect of Park First Ltd. in relation to investments made through Self Invested Personal Pension Schemes. The FCA took the view that the Park First Ltd. investment constituted a Collective Investment Scheme. These are often high risk investments and only an authorised firm can operate/promote them. As Park First Ltd. is not authorised by FCA, the company is unable to provide a Collective Investment Scheme to investors.

Following the FCA's finding Park First Ltd. agreed to stop operating and promoting the original schemes. It offered investors, including the Scheme, the choice of:

- Return of the initial investment back, with no interest (the "Buy Back" option)
- Moving into a new Lifetime Leaseback scheme (the "Lifetime Lease" option)

Dalriada has taken independent investment advice on the options. Having done so Dalriada has been advised to pursue the "Buy Back" option. We have communicated this to Park First Ltd. and we have had a number of discussions with them regarding aspects of this offer. We are now awaiting the documentation to formalise our exercise of this option.

It should be noted, however, that even by getting the Buy Back option agreed there is a 12 month period for Park First Ltd. to make payment. In the event of an insolvency event (i.e. if Park First were to go under) during that time, it is highly likely the Scheme would receive nothing so their remains a high level of uncertainty and risk for the Scheme.

The Reforestation Group Limited

Amount Invested

£220,000 (although the actual amount invested is disputed – the contractual documents show a cumulative purchase price of £230,000).

Current Position

Dalriada held a meeting with the Reforestation Group and their legal advisers to clearly set out the Scheme's position in relation to this investment and why it is inappropriate for the Scheme. As a result of negotiations arising from that meeting an agreement was signed with the Reforestation Group in which they committed to paying £230,000 by 30 June 2018. This has not been received by Dalriada. We have pointed out to the Reforestation Group that they are in clear breach of this

agreement. The Reforestation Group has informed us that the reason for the delayed payment is the time it is taking to sell assets to make the payment. We have had a number of assurances from the Reforestation Group that they are committed to making the payment and we would receive more information. However, to date, we have not had a satisfactory explanation or detail of the ongoing transaction to realise the money to make the payment. Dalriada will continue to pursue this matter and update members as soon as possible.

Best Asset Management Ltd – Car Parks

Amount Invested

£189,000 in the lease of 7 car park spaces in Dubai.

Current Position

This investment is subject to legal action being taken in the United Arab Emirates. The action is being taken collectively on behalf of the investors and we are not a direct party to it. We continue to engage with Best International (Best) regarding this action. Best has established a Car Park Owners Association to deal with matters collectively. However we have concerns about joining it due to guarantees we would have to make to Best in relation to its liabilities. We are discussing matters with the Scheme's legal advisers as to the best course of action.

Best Asset Management Ltd - ABC Corporate Bonds

Amount Invested

£409,000 in corporate bonds with Alpha Business Centres ("**ABC**") UK Ltd

Current Position

This investment is also subject to the legal action being taken in the United Arab Emirates mentioned above, as it is the same people behind this investment that are behind the Dubai car park investment. Further information is due to be circulated by Best to investors regarding progress. It is not anticipated that there will be a quick resolution to the issues being faced with this investment, nor an early exit. We are also discussing this matter with the Scheme's legal advisers.

HMRC's Intention Regarding the Scheme Sanction Charge

In our sixth Announcement we advised that HMRC intended to levy a Scheme Sanction Charge of £240,000 on the Scheme following an unauthorised payment of £600,000 which related to the London Quantum One Limited investment. We have appealed this tax charge with HMRC and it has agreed to suspend enforcing the charge pending further review. We have made the case that, as this tax charge relates to an investment which only three of the Scheme members benefited from, it is neither fair nor reasonable to impose a tax charge which would affect the other Scheme members who had no exposure to, nor benefit from, it (the Scheme holds no funds in the personal accounts of these three members so the charge would have to be met from the remaining assets of the Scheme). We continue to discuss the matter with HMRC but, if it does not accept our

arguments and imposes a tax charge, then that tax charge will have to be met from the personal accounts of all of the remaining members.

Scheme Costs

We previously advised that, due to the way in which the Scheme was set up, a number of complexities have been encountered when considering how to allocate both investment recoveries and Scheme costs to Members' personal accounts (and for clarity these personal accounts are not like bank accounts but are a method of allocating, or earmarking, Scheme assets for the benefit of each Member). We are still looking at this point in conjunction with the Scheme's legal advisers.

Recent Pensions Ombudsman Decision

One of the members of the Scheme made a complaint to the scheme that transferred his benefits to the London Quantum Scheme. The grounds for his complaint were that the Authority that governed his scheme transferred his pension fund to the London Quantum Scheme without having conducted adequate due diligence checks on it and failed to provide him with a sufficient warning, as required by The Pensions Regulator, about the risks posed by pension scams. Having reviewed the particular facts of this case, the Ombudsman has ordered that the member should have his benefits reinstated to the transferring scheme (and increased for the period it was out of the transferring scheme), or, if reinstatement is not possible, that the member be provided with equivalent benefits. Any recoveries from the London Quantum Scheme should be offset against the cost of providing reinstatement or equivalent benefits in due course. The Ombudsman also awarded the member £1,000 damages for distress and inconvenience. The full determination can be found here.

<https://www.pensions-ombudsman.org.uk/determinations/2018/po-12763/the-police-pension-scheme/>

This is a significant decision which we feel ought to be brought to the attention of the members who may wish to consider the facts pertaining to the case and consider whether there are grounds for making similar complaints to their previous schemes or providers. To assist members in considering whether they should take action we have attached an appendix to this Announcement that contains the main facts which led to the determination and other relevant points which members should consider.

We will cover the point in the appendix, however, we should draw to members' attention that this decision will also be considered by claims management firms and lawyers who may offer their services to members with an ongoing, or considering making a, complaint. In this particular complaint the Ombudsman ruled that legal costs would not be awarded. As the outcome of the determination was that benefits should be reinstated (in other words, there was no significant cash award to the member other than the £1,000 distress and inconvenience payment) the member is obliged to meet these significant costs himself. This should be borne in mind by members if they are approached by organisations offering to act for them in such complaints.

We cannot advise members on the merits of making complaints against their previous schemes or providers or assist them in doing so as we are unlikely to have details of all correspondence between a member and their transferring scheme and the particular circumstances of their case.

It should also be noted, though, that if the transferring scheme can demonstrate that it had carried out appropriate due diligence and provided a member with adequate information about the risks posed by pension scams then the Pension Ombudsman's decision may differ from the decision in this case.

What next?

We understand that members are frustrated by the delay in settling benefits particularly given that some assets have been recovered by the Scheme. However, we hope that it is clear from the above why we cannot make any payments to settle benefits at this time. Dalriada as Trustee has a duty to act in the best interest of *all* the members. Making an early or partial payment to one member whilst we are still waiting for funds to come in, whilst we have the possibility of a tax charge being applied and whilst we have real difficulties in determining how to correctly apportion costs would mean that members remaining in the Scheme could be unfairly disadvantaged further. Allowing this situation to potentially arise is not acting in the best interest of all members.

Our intention is to wind up the Scheme as quickly as we can after we have received all the funds that we are likely to, we are clear on the position with regard to apportioning investments losses and costs and, also, the position on the tax charge. In the meantime we will look at a limited investment strategy to protect the funds received and seek some element of growth.

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 Scheme, please contact us. As above, please also supply copies of all correspondence or other communications which you may have received in relation to your membership of the Scheme.

There is a website set up for members at

www.dalriadatrustees.co.uk/london-quantum

We have included Frequently Asked Questions (FAQs) on this page and will update the website when further information becomes available. We will also upload all Announcements to this page. You will also find links to the Chair's Statement and the Report and Accounts.

As you will be aware, the costs of answering queries have to be met from the assets of the Scheme. In order to minimise these costs it would be appreciated if you could, in the first instance, check the FAQs to see if your question is answered there.

Should you, however, have any specific personal queries in relation to this Announcement, your membership of the Scheme or should you wish to provide us with further information, please contact us.

Dalriada. *A better way*

You can contact us as follows (please note the change in the postal address):

By Telephone: 028 9041 2009

By Post: Dalriada Trustees Limited
Linen Loft
27-37 Adelaide Street
Belfast
BT2 8FE

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

Issued by Dalriada Trustees Limited

August 2018

Appendix

Pensions Ombudsman Determination

Facts

Mr N, as the member is referred to in the determination, was a member of the Police Pension Scheme (the "Police Scheme") which was run by the Northumbria Police Authority (the "Authority").

In February 2013 The Pensions Regulator (the Regulator) began the Scorpion Campaign to highlight the dangers of pension liberation fraud to professional pension bodies. This included a member leaflet to highlight both the campaign and the risks. The Regulator recommended that this leaflet be issued by the transferring pension scheme to all members who were looking to transfer. Despite the member leaflet having been issued by the Regulator some eighteen months beforehand, the Authority did not issue this leaflet to Mr N. It considered it sufficient to place a copy on its intranet news feed, where it might be seen by employees.

The Regulator also recommended that checks be carried out on the receiving schemes in order to flag issues that might suggest they were scam schemes. There was no evidence that the Authority had carried out this due diligence. The Ombudsman noted that the London Quantum Scheme exhibited several features to indicate that it might be a pension liberation scam scheme which would have been picked up by this due diligence, such as:

- The London Quantum Scheme was sponsored by dormant company.
- The employer company was registered in London, geographically far from the member.
- The sponsoring employer of the London Quantum Scheme did not employ Mr N.

The Ombudsman's view was that the Authority should have made these checks, should have found the areas of concern and should have flagged these to Mr N. If they had, then – having very carefully considered Mr N's personal circumstances - it was the Ombudsman's opinion that Mr N would have not gone ahead with the transfer and not suffered loss as a consequence.

The Ombudsman also noted that the start of the Scorpion campaign in February 2013 was significant as after that date pension schemes and providers should have been more aware of the risks, as well as their obligations, and should have been more diligent. The Authority failed in this respect.

The Ombudsman considered that if the Authority had undertaken the correct due diligence and entered into a dialogue with Mr N himself (as opposed to communicating only with the firm involved in the matter) it would have uncovered other facts that would have raised concerns such as:

- The involvement of an unregulated introducer.
- The type of investments being made through the London Quantum Scheme - the fact that the forms signed by Mr N indicated that he was a sophisticated investor seeking a high-risk investment.
- It may also have revealed the names of some of the parties involved and their previous involvement in other schemes which have been publicly linked to pension scams.

Mr N had used the services of a lawyer to argue his case. This was on a fee basis, calculated as a percentage of the amount awarded. Mr N asked for his costs to be met by the Authority. The Ombudsman said that it was not appropriate for him to award costs for fees as Mr N could have made his complaint to the Ombudsman without legal representation or incurring other advisory costs, or made use of the free help and guidance service offered by The Pensions Advisory Service.

Does this affect me? Points to consider

All cases are subject to the facts that apply to that case. The Ombudsman's determination was very specific to the facts that applied to Mr N, but there are some points arising from it that members may wish to think about in relation to their own situation:

- Did you transfer after the launch of The Pension Regulator's Scorpion Campaign in February 2013?
- Did you receive the Scorpion leaflet from your transferring scheme or provider?
- Did your transferring scheme or provider carry out due diligence on the London Quantum Scheme? If they did what did it uncover and did they share this with you? If they did not, why not?
- Did your transferring scheme or provider flag any concerns to you about the London Quantum Scheme?

- Did your transferring scheme or provider ask you further questions about your reasons for joining the London Quantum Scheme? For example, about your relationship, if any, to the sponsoring employer Quantum Investment Management Solutions LLP, whether you had you taken regulated advice, whether an unregulated introducer was involved or whether you were offered any incentives or loans?

If, having considered these points, you have a concern that your previous transferring scheme or provider might not have taken all the steps they should have at the time then you may have grounds to complain. It should be noted, though, that if the transferring scheme can demonstrate that it had carried out appropriate due diligence and provided a member with adequate information about the risks posed by pension scams then the Pension Ombudsman might be less likely to find in your favour than he was in this case.

Process for taking forward a complaint

Any complaint that you feel you have regarding how your transfer to the London Quantum scheme was managed by your previous scheme or provider should be directed to your previous transferring scheme or provider, not to the London Quantum Scheme.

There are rules and procedures regarding how complaints should be made and progressed through the Pensions Ombudsman. Mr N's complaint was concluded after all due process had been followed and roughly took two years from start to finish, including a full oral hearing (similar to a Court hearing) at which witnesses were presented in relation to the circumstances of Mr N's complaint. That is not to say that all cases will take this long but a complaint like this involves a lot of facts.

The first stage is to approach the transferring scheme or provider to make a complaint. This may be through the occupational pension scheme's internal dispute resolution procedure (IDRP) or a provider's own complaints procedure, if it is a personal pension scheme. The Pensions Ombudsman's Early Resolution Service may also be able to assist you in resolving the issue informally.

There are time limits for bringing complaints under a scheme's IDRP - a "reasonable period" as the legislation describes it. The Regulator has set out guidance about "reasonable periods". What this guidance says is that for complaints to be made by a person who has (or claims to have) ceased to have an interest in the scheme, trustees or managers:

- Should set the time limit for making the claim as six months after having (or claiming to have) ceased to have an interest (and the Regulator would not normally expect an application received within this time to be refused).
- May agree to accept an application received outside the time limit. The decision-makers should, for example, consider accepting late complaints where the applicant could not reasonably have been aware of the matters in dispute, or for exceptional reasons such as incapacity.

This second point is quite important as you will need to set out why you were not aware until lately of the matter about which you are complaining. It also means that if you believe you have grounds for making the complaint the clock is running now.

Any complaint that you make must be considered in line with each scheme's own IDRPs. Providers will consider complaints in line with their own agreed complaints procedures.

If your complaint is rejected then you will be told what options are available to you. Generally, this would be a referral to the Pensions Ombudsman, if you are not satisfied with the outcome. You can contact The Pensions Ombudsman direct if you do not receive a reply to your complaint within a reasonable time. You can also contact The Pensions Advisory Service for general requests for information or guidance concerning your pensions arrangement.

You should be aware that the Pensions Ombudsman has time limits for making complaints. A complainant must bring a complaint, or refer a dispute, to the Ombudsman within three years of the act or omission that is the subject of the complaint or referral.

However, again, where an individual was not aware of the act or omission causing the complaint, the Ombudsman may extend the limitation period so that the three-year period does not start to run until the earliest date that the person knew, or ought reasonably to have known, of the occurrence of the act or omission.

The Ombudsman has discretion to handle a complaint or dispute out of time, if he considers that it was reasonable for a complaint not to be made or a dispute not to be referred within the three-year period.

Help and costs

The complaints process (up to and including the Pensions Ombudsman) is designed to allow members to bring complaints and have them considered fairly and independently without

the costs of taking the matter to Court. Often the process will seem complex, but free help is available through bodies such as The Pensions Advisory Service and the Citizens Advice Bureau.

Many commercial organisations such as claims management firms and lawyers will seek to offer help and assistance to members and have various fee structures that they can apply. Whilst they may assist in formulating and presenting a case, the fee charged at the end of the day might be quite high. If the result of a successful complaint was reinstatement in the transferring scheme, no actual money will be paid directly to you. You would have your pension rights reinstated. The value of those rights would be the amount claimed. If you entered into an agreement on a 'no win, no fee' basis which paid a fee of 20% of the successfully recovered claim to the organisation used to represent you and if the reinstatement value of your pension was £200,000, then the organisation's fee would be £40,000. Depending on how the arrangement was structured, there might be VAT payable on top of that too. In this example you would be personally liable to pay £40,000 (plus any VAT) to the organisation as it cannot be paid from the reinstatement value of your pension. Please consider how you would find such a fee if you were to decide to take up the offer of help on this basis.

It should be noted that if you pursue your claim via a Court it may agree to award costs. However, the costs and risks are higher going down this route. Determinations and directions by the Pensions Ombudsman are final and binding, subject to a right to appeal on a point of law only (you should also bear in mind that permission to appeal would first have to be granted by the Court).

We would emphasise the point that in this case the Pensions Ombudsman did not consider it appropriate to award costs as, in its opinion, the member could have pursued his complaint without instructing solicitors or other advisers. The Pensions Ombudsman highlighted free sources of advice for individuals in this area such as the The Pensions Advisory Service and the Citizens Advice Bureau.

The Pensions Advisory Service can be contacted in various ways as set out on their website

Useful contact details

If you have a complaint or dispute concerning your workplace or personal pension arrangements you should contact:

The Pensions Ombudsman

Telephone: 0800 917 4487

Website: www.pensions-ombudsman.org.uk

If you have general requests for information or guidance concerning your pension arrangements contact:

The Pensions Advisory Service

Telephone: 0800 011 3797

Website: www.pensionsadvisoryservice.org.uk/

Will Dalriada play a role in helping me to make a complaint?

Dalriada and the London Quantum Scheme will not be parties to nor be involved in any complaint that you bring against a previous scheme or provider. Our duty is to act as Trustee of the Scheme and to proceed as we have set out in the Announcement. We will seek to make recoveries and to be in a position to pay benefits as and when all the issues set out in the Announcement have been resolved. That said, we would hope that the above information is helpful to members in considering whether they have a basis for a potential complaint – which will not be without challenge - and also in contemplating whether it is truly necessary or in their interests to seek external help from parties seeking their own recovery from any successful members, and, if so, how such recovery would be funded.