

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 ninth Announcement to members.

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, Dorrixo Alliance (UK) Limited, and the sponsoring employer, Quantum Investment Management Solutions LLP, have been dissolved.

The purpose of this announcement is to update members on matters relating to Gerard Associates Limited.

Gerard Associates Limited

We have become aware that a number of members of the Scheme have submitted complaints to The Financial Ombudsman Service (FOS) about a firm called Gerard Associates Limited (Gerards) and their involvement in the Scheme. FOS is a body set up by the government to settle individual disputes between consumers and businesses that provide financial services. Their aim is to resolve disputes fairly and impartially, and they have the power to put things right. These complaints have so far generally been upheld by FOS as it is their view that Gerards were involved in promoting unregulated investment funds to members. We have reason to believe that the vast majority, if not all, members had contact with Gerards prior to transferring their pensions to the Scheme.

As a result of their determinations, FOS instructed Gerards to pay compensation to the members who had complained.

However on 5 December 2018 Gerards went into voluntary liquidation and no payments were made. It is conceivable that some recoveries could be made through the liquidation process although, based on Dalriada's contact with the liquidators to date, it seems unlikely that members would be able to recover much through this means. There are likely to be a large number of claims against Gerards through the liquidation, not only from members but from other parties who claim to have suffered losses or have been owed money by Gerards at the point when it went into liquidation.

As Gerards is a firm regulated by the Financial Conduct Authority though, any individuals who have lost money due to the actions of a firm that is unable, or likely to be unable, to pay claims against it (technically this is called going "into default") may be eligible to make a claim to the Financial

Services Compensation Scheme (FSCS). The FSCS exists to protect customers of financial services firms that have failed.

Dalriada Trustees Limited, as Trustee of the Scheme, has been in contact with the FSCS regarding potential claims by or on behalf of the members. We have done this because we are aware that a number of Claims Management Companies (CMC's) have made contact, or have indicated to us that they want to make contact, with members in order to assist with individual applications to the FSCS for compensation. CMC's are themselves regulated by the FCA. However the whole point of the FSCS is that it should be easy for claimants to make claims for themselves. The procedure is free, and the guidance from the FSCS on its own website specifically encourages individuals to make their own claims without incurring costs or offering a cut of compensation to another party in return for assistance. If compensation is awarded then, that compensation is for the benefit of the claimant. A CMC will always want to enter into a contract for their services with a fee structure based on success. This fee is often 20% or more of the amount of compensation paid. To put this into cash terms, if the FSCS made an award of £50,000 then, based on a 20% fee agreement, a CMC would be entitled to £10,000 of that compensation. This is regardless of how much work is done and often this would be just filling in a simple online form.

In our conversations with the FSCS they have said that they are looking closely at the position with Gerards but at the moment they have not declared them formally to be "in default". They are actively considering this but there is a procedure to be worked through before a decision like that can be reached. This means that the FSCS cannot presently consider claims from members of the Scheme at this time. We will let members know once a decision has been reached as to whether Gerards should be considered "in default" and, as a result, claims to the FSCS become potentially eligible.

Based on the fact the CMC's may be contacting members without full understanding of the FSCS position we wanted to draw the facts to the attention of members as soon as possible. If you are being approached by a CMC now, we would encourage you to be very cautious and think carefully whether you really need assistance from such a company bearing in mind we will inform you if Gerards is declared to be "in default" in due course and will, afterwards, work closely with the FSCS to give you as much guidance as possible as to how to work through the process of making a claim. If you sign up to any agreement now with a CMC, it is likely simply to put in what would be a premature claim to the FSCS, achieve nothing unless and until Gerards is declared to be in default, and yet force you to part with potentially a significant proportion of any compensation you might eventually receive.

There are some cautionary points to draw to members' attention at this stage regarding the possibility of compensation (further detail can be found in the FAQ section of the scheme website) :

1. There is, as set out above, no guarantee that the FSCS will declare Gerards to be "in default" although we are hopeful this will occur given Gerards was regulated by the FCA and is now in liquidation.
2. Even if it does get declared "in default", there is no guarantee that the FSCS will determine applications to it favourably. Each application will turn on its own facts and will need to be considered individually.
3. It could take some time for applications to be considered and decisions reached.
4. The FSCS will itself provide guidance on what members need to do in order to make an application for compensation, and Dalriada will be able to assist members by providing

copies of any documentation required in order to aid that process come the appropriate time. There is no need for members to seek copies of documentation now, which risks just causing a costs burden on the Scheme to the detriment of all members potentially.

5. The FSCS does not anticipate that it will be necessary for members who have not already pursued FOS complaints to pursue them with FOS now. It will be possible to provide the same information and documentation to the FSCS in due course.
6. To the extent compensation is ultimately paid to members, the FSCS is likely to require that any benefits eventually payable from the Scheme should be paid first to the FSCS. However, if the benefits payable from the Scheme exceed the FSCS's compensation award, then the excess amount would be paid to the member. The FSCS will provide all of the guidance required in relation to this if compensation is eventually paid.
7. If compensation is paid, it will be capped. We anticipate that the cap will be £85,000 per member but this is not confirmed. This will, of course, only impact on those members whose transfers into the Scheme were greater than that amount. Many members transferred in less than that sum and might be eligible for the full amount of compensation.
8. Members will need to consider in due course taking independent financial advice to the extent compensation is payable to them directly. This is because members stand potentially to recover directly sums that were previously held in pension schemes and subject to tax relief. Neither Dalriada nor the FSCS can give advice themselves to members regarding receipt of such compensation but there may well be benefits in members taking proper financial advice given the possible tax implications from receiving compensation as well as the need to consider appropriate retirement planning, for example considering placing compensation into another pension scheme. Dalriada cannot recommend specific financial advisors for these purposes but has included a link below to a site from which members can identify possible assistance. We would emphasise again that this is with a view to obtaining advice regarding **receipt of compensation** - and **not** to the **handling of an actual FSCS claim**, which should not require assistance from a financial adviser or anyone else. We are alerting members to this now in case any CMC's or financial advisers seek to persuade members to sign up to their services on the basis of offering help on both fronts. It is not essential that members take financial advice at this stage, and members might choose to wait until Gerards have been declared "in default" and an FSCS claim actually submitted. In addition, members should proceed very cautiously if approached by either a CMC or financial adviser where there is no existing relationship – as some members might be aware, there is now a ban on cold calling in relation to pensions so such approaches might be in breach of that and, as a result, liable to criminal action.

To summarise, members might choose not to take any steps at this time but instead wait until there is a decision from the FSCS as to whether to declare Gerards "in default". The purpose of this announcement is simply to alert members to the possibility of compensation being granted as well as the potential impact of allowing CMC's to make claims on behalf of members.

To conclude, this *could* be a very positive development for members of the Scheme but this is not guaranteed, and members need to be patient for a little longer as well as be cautious about companies or individuals now trying to take advantage of potential compensation payable, in particular offering assistance that members might very well not need.

What should I do if I have any further questions?

Dalriada cannot give any advice in relation to claims to the FSCS. As we have said above this body exists to make it easy for individuals to make contact with it. The FSCS website can be found via this link.

FSCS

<https://www.fscs.org.uk/>

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

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