

SSAS LOANBACK GUIDANCE NOTES

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This guidance explains the requirements, process, security considerations, legal documentation and costs associated with SSAS loanbacks.

What is a SSAS Loanback?

A SSAS may lend money to a sponsoring or participating employer of the scheme, provided all HMRC conditions are satisfied and the arrangement is made on commercial terms.

Purpose for the Loan?

Any loan granted by the SSAS must be used exclusively for **genuine business purposes**.

Commercial Growth: The borrowing must be necessary for the day-to-day operation, development, or expansion of the trading business.

Strictly No Personal Benefit: The funds cannot be used for personal expenses, private investments, or to provide any financial advantage or benefit to scheme members, trustees, or people connected to them.

Trustee Approval: The trustees are legally required to verify and be fully satisfied that the loan serves a valid commercial purpose before any money is released.

Compliance Reminder: HMRC enforces strict regulations on SSAS loans. Using scheme funds for anything other than a qualifying business purpose can lead to heavy unauthorised payment tax charges for both the scheme and the individuals involved.

Key conditions to be met

Maximum Loan Amount: Up to 50% of the net market value of the scheme assets.

Security: Must be fully secured by a first legal charge over acceptable commercial assets (such as unencumbered commercial property).

Interest Rate: Must be set at a commercial rate, which must be **at least 1% above the average base lending rate** of major high street banks

Loan Term: Maximum initial term of 5 years.

Repayments: Regular, scheduled capital and interest repayments must be made in cash throughout the term.

Security Requirements

The loan must be fully secured for the entire duration of the term. The trustees need to be completely satisfied that the security offered is appropriate, easy to sell if things go wrong, and provides strong protection for the pension scheme.

An independent professional valuation of the security will be needed before any money can be released.

At the time the loan is made, the security used must be of at least equal value to the face value of the loan including interest throughout the term.

Typically Acceptable Security:

- Commercial property (with a first legal charge)
- Investment property (with a first legal charge)
- Land (with a first legal charge)

Note: All property and land offered as security must be completely unencumbered and free of any existing mortgages, bank charges, or legal liens prior to the registration of the SSAS's first legal charge.

Case-by-Case Assessments of Security

Not all security types are automatically accepted. To protect scheme assets and satisfy HMRC rules, the Trustees review the following assets on an individual, case-by-case basis:

- Debentures
- Fixed and floating charges
- Specialist business assets (Plant, equipment, or machinery)

⚠ Please Note: As Professional Trustees we will ask a number of detailed questions during this assessment. There is **no guarantee** that the proposed security will be accepted.

Unacceptable Security

The following assets cannot typically be used as security for an SSAS loan-back:

- Investment Portfolios
- Assets already held within the SSAS
- Personal pensions
- Principal private residences (your home)

Important Note

Where a loanback is a key reason for establishing a SSAS, SeaBridge may request details of the proposed security before the scheme is established. This helps identify potential issues early and may avoid unnecessary setup costs if the proposed security is unlikely to be acceptable.

Documentation and Solicitors

A SSAS loanback must be properly documented and legally binding before any scheme funds can be released.

Required Documentation

Letter of Comfort (Accountant's Letter): A formal written confirmation from the borrowing company's accountant verifying that the company is solvent, trading viability is sound, and the company can comfortably service the loan repayments.

Loan Agreement: Formally defines the terms, including the loan amount, interest rate, repayment schedule, 5-year maximum loan term, and specified events of default.

Legal Charge: Secures a First Legal Charge over commercial property or approved assets, giving the SSAS Trustees clear enforcement rights if the borrower defaults.

Company Documentation: Formal board resolutions passed by the borrowing company, authorizing the borrowing of funds and the granting of scheme security.

Registration Requirements: Formal filing with HM Land Registry (where property is charged) and Companies House (to register the legal charge against company assets).

Solicitor Panel Condition

Mandatory Legal Representation: . To safeguard the Scheme's interests and ensure compliance with complex pension legislation, we require that all Loanback transactions utilise the expertise of our appointed solicitor, **Birketts LLP**, without exception.

Costs

SeaBridge administration relating to the loanback is fully included within your annual administration fee.

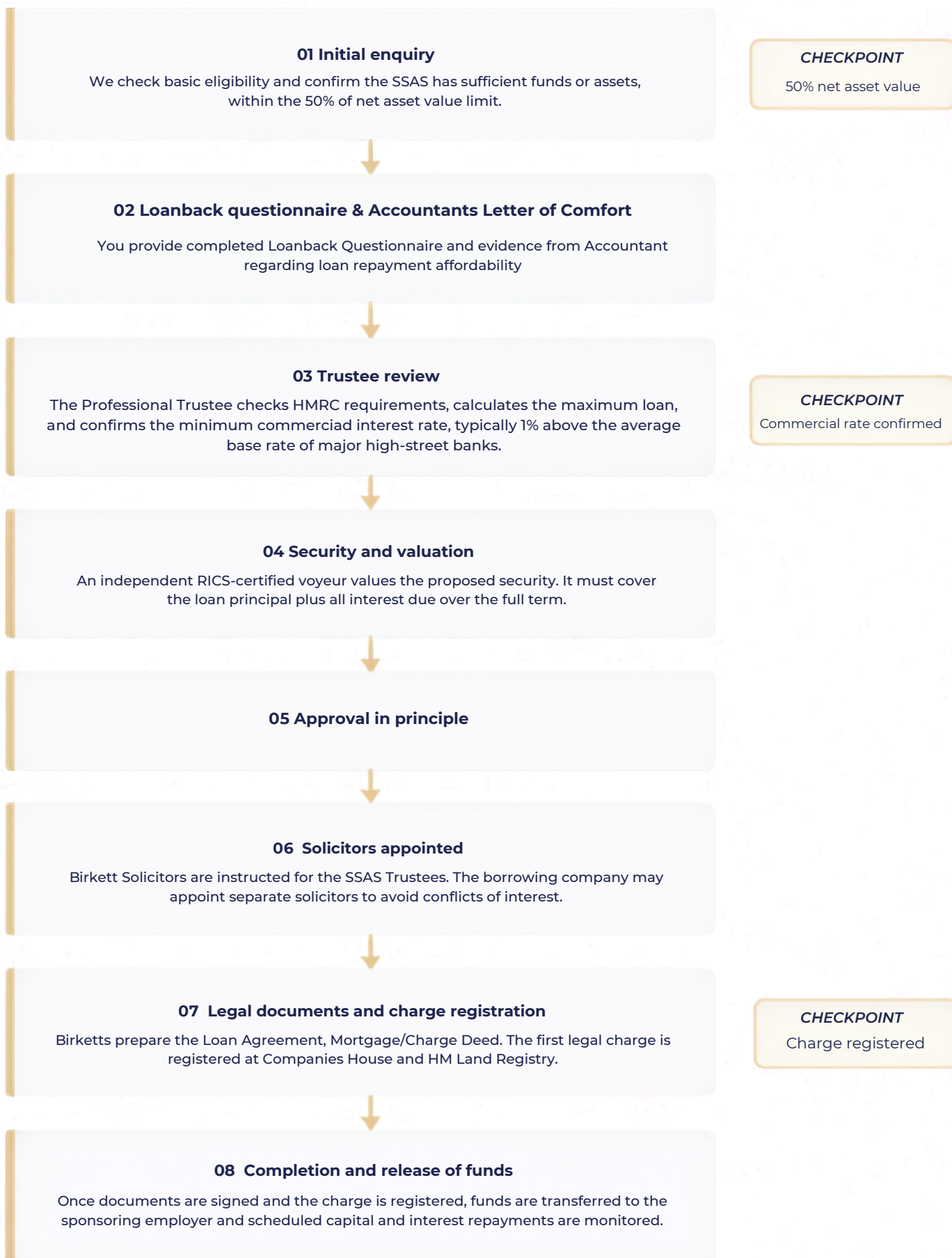
Third-Party Fees

While SeaBridge does not charge additional internal processing fees for the loanback, external third-party costs are likely to apply. These are payable directly by the borrowing company or scheme as incurred:

- **Solicitor Fees:** Legal charges incurred by Birketts Solicitors for drafting the Loan Agreement, Legal Charge, and handling registration.
- **Property or Asset Valuation Fees:** Independent RICS surveyor costs to value the asset offered as security.
- **Specialist Professional Advice Fees:** Potential fees for independent accounting advice or tax consultancy if required.

SSAS Loanback Process

From initial enquiry to release of funds



Loanbacks must be for genuine business purposes and completed on commercial terms. Trustees must be satisfied that all HMRC conditions are met before funds are released.