CURTIS BANKS

CASE STUDY
BLOCK TRANSFERS

APPROVED FOR CLIENT USE | DECEMBER 2022

A client must take care not to lose his protected tax free cash entitlement as he considers a transfer to a new provider.

The Challenges

Wesley has been with Curtis Banks for approximately ten years. When he transferred out of his old scheme, everything was handled by his financial adviser at the time. It's now been a few years since Wesley took financial advice: when his previous adviser retired, he never got around to appointing a new one and eventually decided to handle things himself, at least while he wasn't planning to make any big changes to his finances.

However, Wesley is now starting to consider taking benefits from his pension. He's also considering moving to another provider, having uncovered another small pension he'd forgotten about with a provider who, on the whole, looks marginally cheaper. He plans to transfer his main pension to the other provider and then access his tax free cash.

Wesley vaguely recalls that his original pension, before his transfer a decade ago, included a higher-than-normal amount of tax free cash. He remembers his adviser reassuring him that the pension wouldn't be adversely affected by the major pension rule changes in 2006 and that he would still be able to receive the higher amount when he retired. However, Wesley recently spoke to a friend who thought that special tax free cash amounts would be lost when a pension is transferred, so Wesley decides to call Curtis Banks to check.

The Actions

Wesley is put through to Amy; he explains his plan and his concern that he may already have lost his higher tax free cash entitlement. Amy confirms that such tax free cash entitlement, known as a 'scheme specific lump sum', can be lost when a pension is transferred, unless the transaction is completed as a 'block transfer'. Amy can see from their records that the transfer ten years ago was completed as a block transfer and that Wesley's scheme specific lump sum is still intact.

Amy goes on to confirm that if Wesley wants to transfer away, he will lose the protection unless he completes a further block transfer. There are a number of conditions which need to be met in order for a transfer to qualify.

Firstly, Wesley would need to transfer to a scheme where he has been a member for no longer than 12 months. Wesley says that he has not contributed to his other plan for many years as he had forgotten about it, but Amy confirms that this still counts as being a member of the scheme, and therefore a transfer to that scheme would not qualify as a block transfer. Wesley still asks Amy to confirm the rest of the block transfer rules, in case he decides to go elsewhere.

Amy outlines the next condition: Wesley would need to transfer along with at least one other person from the same Curtis Banks scheme.

They would both need to transfer to the same new provider, and the transfers would need to be processed together as a single transfer.
Amy clarifies that this doesn't necessarily mean that both sets of assets need to move to the new provider at exactly the same time. Wesley would just need to make sure that the transfers were requested as part of the same, single agreement: it's not enough to simply find someone else who happens to be transferring to the same scheme at around the same time.

Wesley realises that it will be very difficult for him to find another person to complete a block transfer with; he doesn't know anyone else with Curtis Banks or know how he would find that information. A different thought occurs to Wesley - if he transferred the forgotten pension to Curtis Banks, would he receive extra tax free cash from those funds too?

Amy confirms that unfortunately this isn't the case. The formula they will use to calculate Wesley's total tax free cash entitlement is prescribed by legislation, and it takes into account the fact that other funds without lump sum protection may have been transferred into the pension and allows for standard tax free cash from those amounts. Amy also adds that in order to keep his scheme specific lump sum, Wesley must crystallise all of the funds within his pension at the same time.

The Results

Wesley decides that he'd best speak to an adviser before proceeding, to check what will be the best course of action for him. After completing a full review of Wesley's circumstances, his new adviser recommends that Wesley transfers the small pension to Curtis Banks, and takes his tax free cash. The Curtis Banks SIPP still suits Wesley's requirements and the adviser confirms that Wesley can still transfer the funds elsewhere at a later date if needed.

Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

Contact Details

If you'd like to speak to us about anything on this fact sheet, please contact us on:
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We may record and monitor calls. Call charges will vary.
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Please remember not to send any personal, financial or banking information via email as it is not a secure method of communication.