CURTIS BANKS

CASE STUDY

BUYING A FURTHER OWNERSHIP SHARE OF A COMMERCIAL PROPERTY (JOINT TITLE STRUCTURE)

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A client owns a share of a commercial property via their SIPP, holding the remainder in their personal business capacity. They want their SIPP to acquire a further ownership share.

The Challenges

Harriet has a SIPP with Curtis Banks. Four years ago, she sold an ownership share in her company's business premises to her pension, meaning that the SIPP owns a 40% interest in the property via a Joint Title Structure. The remaining 60% interest is still owned by her business, and there is a lease over the property with Harriet's company as the tenant. There is a trust deed in place, called a Declaration of Trust, which outlines the ownership and loan percentages of each party, as well as the ongoing management responsibilities.

Harriet's long term intention was always for the SIPP to acquire the entirety of the property, but at the point of the initial purchase transaction, Harriet's SIPP didn't have sufficient funds to facilitate this. She bought the maximum ownership percentage that was possible at that time, without affecting her ability to diversify her investments.

Over the past four years, the SIPP has received 40% of the rental income paid by the tenant company, as well as employer contributions. As a result, Harriet now has enough cash in her SIPP to acquire an additional 20% share in the property.

Harriet is unsure what the process would be, and also what implications there would be considering that the company has an outstanding loan on the property. She speaks with Curtis Banks to discuss the requirements and next steps.

The Actions

Harriet calls Curtis Banks and speaks with a representative called Rory. Harriet outlines her intention to acquire a further share in the SIPP property and asks what she needs to do to achieve this. Rory explains that Harriet will need to complete the Further/ Remainder Property Share Purchase Form, which provides the core information Curtis Banks needs in order to begin the transaction. This form requests information such as the percentage that Harriet is looking to acquire via the SIPP and details of the solicitor and valuer that Curtis Banks will instruct.

Harriet tells Rory that she was satisfied by the solicitor and valuer who acted for the SIPP when the initial share was acquired, and wishes to use them again. Rory confirms that this is acceptable assuming that they remain regulated by the appropriate governing bodies, which Harriet will check when completing the form. Rory also tells Harriet that she will need to agree fees directly with the solicitor and valuer, although the professional costs for the purchase will need to be paid for by the SIPP.

Another discussion point between Harriet and Rory is the due diligence requirements. Harriet was concerned that her pension would need to redo all of the due diligence obtained as part of the process. Rory explains that this isn't the case, but that there are certain parts that will need to be updated, such as the valuation. This is required as the seller is a connected party and therefore the SIPP must pay market value as advised by the valuer for the further share in order to satisfy HMRC regulations), and updated accounting information from the accountant who acts on behalf of the joint title holders. The solicitor will be asked whether the previous searches should be updated, but Curtis Banks will proceed with the solicitor's advice here.

Harriet is unsure what would happen in respect of the existing loan over the property. The SIPP doesn't hold any interest in this loan, and the sole borrower is the business. Rory clarifies that the monies that the SIPP will pay to acquire the further share in the property will be used by the seller to pay their share of the loan. Additionally, the allocation of ownership and debt in the trust deed will need to be updated accordingly. The solicitor will be required to update this as part of the due diligence process.

The Results

The property is valued, and Harriet ensures that there are sufficient funds available in the SIPP to pay for the 20% interest in the property, and the associated costs. The solicitors acting for Harriet's company as seller arrange for the existing loan to be reduced using the sales proceeds.

Moving forward, the SIPP owns a 60% interest in the property, with the balance still being retained by her company. The lease is unchanged, and both parties will receive their share of the rental income.

Harriet intends to repeat this process again every 4 years, with the ultimate intention for the SIPP to hold 100% of the property before she reaches retirement.

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.

This information is based on our understanding of current legislation, including (but not limited to) FCA, PRA and HMRC regulation. It does not constitute any form of advice.

Contact details

If you'd like to speak to us about anything in this case study, 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.