CURTIS BANKS

CASE STUDY

JOINT TITLE OWNERSHIP PROPERTY PURCHASE

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A client wishes to explore purchasing part of a commercial property through their SIPP, with the remainder being held by another party.

The Challenges

Paula Jones (25) has a dilemma. She's been diligently building her Curtis Banks SIPP in order to purchase a commercial property for her plumbing business. However, the perfect property has just come onto the market, and Paula's pension isn't large enough to purchase it.

The SIPP is currently worth just over £125,000, of which £37,500 is in beneficiaries' drawdown, inherited from her late grandmother Margaret. She also received a £50,000 lump sum from Margaret, part of which she has used to make the largest tax relievable contribution possible this year based on her earnings and annual allowance. Paula has £19,600 of the lump sum remaining outside the pension.

The property Paula has spotted is on the market for £200,000. It's a bit more than she was hoping to spend, but it is absolutely perfect for Paula and in a very popular area; she doesn't think it will be available for very long. She calls her great-uncle Steve, who has always offered her very good advice about her business, to discuss ideas for possible solutions.

The Actions

Paula has already confirmed with Curtis Banks that it's possible to make gross personal contributions – in other words, personal contributions for which she is not entitled to any tax relief because they are in excess of her earnings for the year. Paula has worked out that if she contributed the remaining £19,600 without tax relief and then used the facility to borrow up to 50% of her pension value, she would have just enough to fund the purchase, pay the fees and stamp duty, and leave a small float left over. This is the only way Paula can think to purchase the property.

Steve agrees that this is a possibility, but says that it also seems unwise for Paula to put all of her pension savings plus a large loan into the property. It could be a long time before Paula would be able to diversify her pension. It also seems a shame for her to miss out on the £4,900 tax relief she could get if she waited until next tax year to contribute the £19,600.

Steve asks if Paula knows whether Curtis Banks would allow her to purchase and own only part of the property. Paula confirms that her father, aunt, and grandfather currently own a property jointly between them, but this isn't what Steve meant. He asks Paula to find out whether Curtis Banks would allow the rest of the property to be owned not by another SIPP, but by a third party in a personal capacity. Steve's heard of providers offering this facility before but doesn't think it's particularly common and doesn't fully understand how it works.

If Curtis Banks will allow it, however, Steve says that he will purchase part of the property and own it jointly with Paula.

Paula calls Curtis Banks and is put through to Aisling, a representative from their property department. Aisling confirms that Curtis Banks does offer this option. The property would be purchased by way of a joint title ownership, whereby the purchasers collectively hold the legal title of the property. Aisling explains that a trust deed would be established which outlines how much of the property is owned by Curtis Banks (on behalf of Paula's SIPP) and Steve. The deed would also outline the obligations and responsibilities of each.

Paula is pleased that her great-uncle's suggestion is possible, but isn't confident she's fully understood the mechanics enough to relay the details to Steve. She asks Aisling to send her through more information about how the joint title ownership structure works in practice and what would be required of her and Steve.

The Results

Paula and Steve read through all the information provided by Aisling and decide to proceed with the property purchase. They agree on an initial 50/50 split of the property ownership, which allows Paula to purchase her share more comfortably with her existing pension funds, and means that she can wait until next tax year to make further contributions and receive the tax relief she would then be entitled to.

Steve is happy to hold his share of the property for a few years while Paula builds up her pension funds, and will be happy to change the ownership proportions as she requires. Eventually Paula hopes to own the whole property and to be able to diversify her pension investments.

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 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.