CURTIS BANKS

CASE STUDY

SSAS LOAN BACK

APPROVED FOR CLIENT USE | MARCH 2024

Two clients are considering borrowing funds from a high street bank to utilise to expand their business, but are interested in exploring other avenues, including a loanback from their SSAS.

The Challenges

Natalie and Asif own a web design consultancy business, and having seen a steady increase in new business enquiries, they are keen to expand their company by sourcing a new office space and investing in new IT systems. They calculate that they will need around £70,000 to facilitate the expansion.

Their company does have sufficient cash reserves to support their plans, however they have concerns about depleting the business' accounts entirely and wish to consider an alternative solution.

The Actions

Natalie and Asif sit down with their financial adviser, Omar. They discuss the possibility of a high street, commercial loan for the expansion, but for tax planning reasons, Omar suggests considering using a loanback from their existing Curtis Banks SSAS. A loanback would allow them to make a loan from their SSAS to their company, essentially meaning that the SSAS is effectively acting as a bank.

Natalie and Asif are interested in this idea, and ask Omar how this would work in practice. Omar explains that a SSAS loan can be made to a connected employer, as long as HMRC regulations are adhered to. The sponsoring employer can invite directors, employees and relatives/partners/spouses/children of those connected to it to join the scheme. The company that starts the SSAS is also classed as a connected party. Omar takes some time to explain the regulations to Natalie and Asif:

- Any SSAS loan cannot exceed 50% of the fund value, which is tested at the outset of the process
- The interest rate for the loan would be set at a minimum of 1% over base rate
- In much the same way as a residential mortgage, the lender (here meaning the SSAS) would take a first legal charge, with an unencumbered commercial property owned by the borrower secured as collateral. Asif asks Omar what the implications of the charge are. Omar tells Asif that the charge would be called upon in the event that there was a default of loan repayments, in exactly the same way as a bank would act if they were the lender.
- The loan must be used for a legitimate business purpose
- The loan must be repaid within 5 years from the date of drawdown
- The loan must be repaid in capital and interest instalments across the five year term

Natalie understands what Omar has explained, but wants to understand more about why the SSAS route should be considered.

Omar tells Natalie that if the company were to make a significant contribution of £100,000 to the SSAS, the company would then benefit from a corporation tax relief reduction of £19,000 as the contribution would be deducted from the company's profits. This would have the dual benefit of ensuring that the SSAS was funded to make the loan, but also allowing the company to pay a reduced level of corporation tax.

The Results

Natalie and Asif decide to proceed with the loanback, which not only allows the company to progress their expansion, but also enables them to reduce their corporation tax paid by making a substantial employer contribution to their pensions.

The loan is formally and legally documented, ensuring that HMRC regulations and provider requirements are adhered to.

The loan is repaid by the company in accordance with the loan terms, within the 5 year period specified by HMRC.

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.