

This is all about

**Commercial
property with
Self Invested
Personal Pension**

from Standard Life



Hello.

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1. Introduction

Using a Self Invested Personal Pension (SIPP) to invest in commercial property has become a popular way to save for retirement. Your pension fund can benefit from regular rental income (as the property is usually let out to your business or a third party) as well as potential growth on the value of the property.

And to help you pay for the property with your SIPP, the SIPP Trustee can take a mortgage of up to 50% of the value of your pension fund.

However, as you may have experienced, buying property can be a stressful and complicated process. That's why we offer partnerships – including solicitors, lenders and property managers that you can choose from – to take away the hassle and keep the transaction as simple and straightforward as possible.

This guide is intended to make you and your financial adviser aware of the issues that must be taken into consideration when investing in commercial property.

It explains how we will manage the risks involved in commercial property investments and should give you all the necessary information and facts to help you make an informed investment decision.

You should also read our Commercial Property Charges Sheet (SLSIP81) and your relevant SIPP Charges Sheet for details of the charges involved.

If you have any questions, please get in touch with our SIPP Customer Centre on 0845 0845 000 (call charges may vary) and ask to speak to one of our SIPP property administrators.

2. Investing in commercial property

In order to protect your pension investment and manage the risks involved with commercial property purchases, we have put in place certain criteria that your chosen property must meet to qualify as a suitable SIPP investment. These are in addition to HM Revenue & Customs (HMRC) rules.

If your SIPP invests directly in commercial property then Standard Life Trustee Company Limited (the trustee) will be the owner of the property. It will be managed by a property company appointed by the trustee. All rent must be paid at a commercial rate.

At the earliest possible stage, we'll help to assess whether the property is a suitable investment for a SIPP.

First of all, you should give our Specialist SIPP Property Team a call on 0845 0845 000 (option 3), (call charges may vary) to discuss the suitability of the property with one of our SIPP property administrators. Depending on that discussion we may need to ask you for more information to confirm that the property is suitable. We'll aim to give a quick response on whether we can agree to buy the property as part of a SIPP, but we reserve the right to refuse to buy any property that does not meet our criteria or HMRC rules.

The next step is to send us a SIPP Application (if you don't already have a SIPP with Standard Life) together with a fully completed and signed Property Information Questionnaire (PIQ). Our charges will commence once we have reviewed the PIQ and have been instructed to proceed with the application, after which the charges will be payable.

Bear in mind that all transactions associated with this investment must be carried out on commercial terms.

This section outlines the areas we'll look at to assess the suitability of the investment:

- 2.1 What type of property can be purchased?
- 2.2 Who can purchase?
- 2.3 What will the property be used for?
- 2.4 What is the proposed timescale for the purchase?
- 2.5 How will we check the property is a viable investment?
- 2.6 How will the purchase be funded?
- 2.7 Value Added Tax (VAT)
- 2.8 What type of letting is allowed?

2.1 What type of property can be purchased?

Types of commercial property

Most types of commercial property are acceptable. Some examples are:

- Shops
- Offices
- Warehouses
- Industrial units
- Factories

We can only purchase the bricks and mortar but not goodwill.

HMRC require that pension arrangements such as SIPP's are used for the 'sole purpose' of accruing and providing pension benefits – the SIPP member should not benefit in any other way from the assets held within the SIPP. Standard Life is required to ensure that this condition is met.

Residential accommodation within the property

Standard Life will only allow residential accommodation within the property if it is:

- A residential element which is integral to a commercial property that is occupied by an unconnected party, eg a caretaker's flat.
- Commercial property with a residential aspect, eg a hotel, although no connected person can live on the premises to run the business. If a member or connected party uses such a property, the full commercial rate must be paid.

You cannot buy residential property that is to be converted to a commercial property.

See page 8 for an explanation of connected parties.

Excluded purchases within a SIPP

There is also a number of types of property that are specifically excluded or to which Standard Life has attached special conditions. Examples are:

- Holiday accommodation and caravan parks.
- Overseas property. Properties must be located within England, Scotland, Wales or Northern Ireland.
- Nursing homes. As the business liability could fall on the landlord should the business fail, Standard Life does not allow the purchase of nursing homes.
- Land purchases, property bought at auction or property on which the member has already exchanged are assessed on an individual case basis. Please contact the Specialist SIPP Property Team to consider any of these properties.
- Any property directly adjacent to any land or property owned by the SIPP member or any party connected with the SIPP member can only be bought if it satisfies the 'sole purpose' requirement mentioned earlier.
- Any property which has been "knocked-through" to an adjoining property that is not owned by the SIPP.
- 'Flying' freeholds will not usually be allowed. This is when a property's foundations are supported or dependent on another property. This is because there is a risk of the supporting property not being adequately maintained.

- Leasehold property where the remaining term of the lease is less than 50 years.
- ApartHotels.
- Property subject to an agricultural tenancy agreement.
- Any property that our insurers will not cover.

This is not an exhaustive list of properties that are unacceptable to Standard Life. Onerous landlord obligations or unusual administrative requirements attaching to a property could also cause us to reject it. If you have any queries about a specific property, please call the SIPP Customer Centre on 0845 0845 000 (call charges may vary) and ask to speak to one of our SIPP property administrators.

Development and renovations

Any development or renovation of the property must be carried out for commercial purposes and must add value to the market rental rate and the property itself.

We will assess each development or renovation application individually and our property managers will control any development or renovation work that is undertaken. We'll request full specifications to allow our property managers to carry out an initial assessment and provide an agreement in principle. It may be that some projects are unacceptable to Standard Life and cannot proceed while the property is held as an asset of our SIPP.

Our property manager will discuss their costs and other aspects of the project directly with you and your financial adviser.

All costs must be paid from your SIPP unless the tenant carries out alterations under their duties, as outlined in the terms of the lease. As our standard lease is on Fully Insuring and Repairing terms we would not expect any landlord works to be carried out while a lease is in force. Tenants should refer to the Tenant Handbook for instructions.

The property purchase must be completed before any development or renovation work begins. Work to be carried out on behalf of the landlord, and paid by the SIPP, must be instructed by Standard Life as property owner. Any work undertaken without our consent must be reversed and the property and land returned to its previous condition, or there is a breach of contract.

In-specie transfer

It may be possible to transfer a property from other pension arrangements (a Small Self-Administered Scheme (SSAS) or SIPP) into a Standard Life SIPP. We require funds to be in place to cover all costs prior to starting this process. These funds may come by way of a new payment to our SIPP, a transfer from another scheme in which you have benefits, or a partial transfer from the scheme which holds the property (subject to the rules of that scheme allowing such partial transfers).

Any outstanding borrowing must be settled before transferring the property to a Standard Life SIPP.

The charges involved with an in-specie property transfer will follow those for a purchase, as laid out in our Commercial Property Charges Sheet (SLSIP81). The only difference is that Stamp Duty Land Tax is not usually payable on an in-specie property transfer from one pension arrangement to another.

Our full due diligence process must be carried out on the property to ensure it is acceptable to Standard Life.

Our Limitation of Liability wording, restricting Standard Life's liability to the value of the SIPP(s) or, in some circumstances, to the value of the property, must be included in all documentation relating to the property. This is particularly relevant for any existing lease, as even if all other terms of the lease are acceptable to Standard Life, it should be amended to include this wording.

2.2 Who can purchase?

Standard Life Trustee Company Limited (SLTC) will purchase the property on the behalf of the SIPP. SLTC will be the legal owner of the property in its capacity as trustee of the SIPP.

We require that all documentation relating to the property investment (eg borrowing arrangement, legal charge, leases) must include our limitation of liability wording, restricting Standard Life's liability to the value of the SIPP(s) or, in some circumstances, to the value of the property.

This wording must be included before we can proceed with the property purchase. This is particularly relevant for the purchase of leasehold property, where the head leaseholder must accept all terms included in the purchase. Our solicitors will automatically include the appropriate wording in the documentation. However, specimen wording is available from the SIPP Customer Centre if you would like to see a copy.

Most purchases will be from unconnected parties. However, if the SIPP is to buy a property from the member or a connected party, the purchase must be made on commercial arm's length terms.

A connected party is:

- any family member related by birth or marriage including in-laws, or
- any company connected with the SIPP member or their close relatives, or
- any partnership in which the SIPP member or a connected person is a partner.

Connected parties are fully defined in section 839 of the Income and Corporation Taxes Act 1988.

Syndicated purchases

A property can be purchased by a number of SIPP members together. This is known as a syndicate purchase. SLTC must own the whole property and will not enter into any joint purchases with any other pension arrangements, individual or company.

The syndicate members are required to split the investment by the share of their payment made towards the purchase price. A syndicate SIPP member's share can be made up of cash and borrowing from a commercial lender. Each individual SIPP member's borrowing limits will be subject to the usual restrictions provided in section 2.6.

Any property income or charges will then be credited or debited to each member's SIPP in proportion to their share as and when received or due. Costs of borrowing and loan repayments will be debited from each individual's SIPP in proportion to their share of the borrowing.

The syndicate must nominate a SIPP member (Contact Member) to act on its behalf in all matters relating to the property. This will allow us to deal with any matters quickly, avoid confusion and should cost less for all parties. The Contact Member will liaise with other syndicate SIPP members and keep them informed.

It should be noted that where some syndicate members have borrowed to assist in the purchase, the property may have to be sold if any of these members are unable to pay their share of the mortgage. As any commercial lender will have a legal charge on the property, all members (even those who have not borrowed to invest in the property) are at risk of losing their investment if any of the members who have borrowed should default on their obligations.

Also, the property may have to be sold if any member of the syndicate is unable to pay any outgoings (ie charges, expenses or benefits) that apply to their SIPP. We require a formal agreement to be drawn up detailing how to deal with events such as when a syndicate member leaves, when a new member wishes to join and the retirement, transfer or death of a member. Standard Life should be given a copy of this agreement.

We will assess each syndicate application individually. We require the following before we will accept the purchase and quote costs:

- Details of the property
- Number of members
- Acceptance of a negotiated Syndicate Agreement. This must be signed before we agree to purchase.

2.3 What will the property be used for?

The appropriate planning consent must be in place for the proposed use. We will consider:

- the proposed usage of the property, and
- any hazardous activities that could result in us rejecting or placing conditions on the purchase, or
- the insurer charging a higher insurance premium.

2.4 What is the proposed timescale for the purchase?

The timescales to carry out a commercial property purchase can vary enormously. We aim to buy properties within a reasonable timescale. Your expectations should be discussed with the Specialist SIPP Property Team. On instruction, our solicitors will issue a welcome letter that will detail the timescales and costs.

Connected Party Sellers can influence the timescales by ensuring that they have instructed their own Solicitor to provide SLTC's solicitor with full details of the property as requested (eg title, contract, etc).

To ensure the process is dealt with efficiently we recommend you do the following:

- Send us a fully completed SIPP Application (if you don't already have a SIPP with Standard Life) and Property Information Questionnaire as quickly as possible as we are unable to proceed without them both.
- Give SLTC authorisation to instruct our solicitors immediately.
- Reply promptly to any request from Standard Life or our business partners for further information.

Standard Life will not be held liable for any delay or cancellation of contract with the vendor.

2.5 How will we check the property is a viable investment?

We'll carry out some risk management checks to assess the property and to comply with our insurance requirements. These areas are detailed within this section.

Any defects with the property that arise post completion will not be automatically guaranteed by the valuer. This means that Standard Life will not have any redress on behalf of the SIPP member. If at any stage you would like further surveys, eg structural, to satisfy yourself of the condition of the property, we can commission these and the costs will be met by your SIPP fund.

Valuation report

You can nominate your own valuer to carry out a report if you wish. If borrowing is required to finance the purchase it is likely that the lender will have a panel of valuers, one of which could be used. It is essential that Standard Life instructs the valuer as we have specific requirements. We will deduct any valuation costs from your SIPP.

If a recent valuation report exists, we may be able to use this provided that it meets all our requirements. The valuation report must have been carried out within the last 3 months and it should be re-addressed to STLC.

Any fees you may have paid already (that were not paid from the SIPP) cannot be refunded.

Environmental checks

All proposed property investments will be subject to an environmental site assessment carried out by Argyll Environmental. Standard Life will only accept the property when Argyll Environmental confirm the site is suitable from an environmental viewpoint.

Argyll Environmental are an independent firm of Environmental Specialists who have been retained by Standard Life to protect your interests and those of SLTC as trustee.

Argyll Environmental will carry out an initial 'desk-top' assessment of the property. They will provide an initial site rating which will confirm whether the property is acceptable or whether further investigation is required. We will provide you with a copy of the site assessment report provided by Argyll Environmental.

If Argyll Environmental believe that a potential environmental risk may exist at the site, they will recommend to Standard Life that a Consult Report is carried out. This report will result in Argyll Environmental carrying out investigations with the local councils, environmental regulators, tenants and SIPP Members. Argyll Environmental will then provide a report which will document the overall environmental risk relating to the property.

In the few instances where a Consult Report has rated the property an unsatisfactory environmental risk, a site inspection can be carried out with a final assessment and potential solutions being provided to enable the property to be acceptable for SIPP investment.

All costs relating to environmental checks will be deducted from the member's SIPP.

These reports will give information about the property and list any recommendations or questions that should be dealt with. It may also indicate that further reports are required (eg Coal Authority Mining Report etc).

For the property to be acceptable for Standard Life SIPP investment, we require an environmental risk rating of low or low - medium. We will liaise with you or your financial adviser on the findings of the report. It may be that some risks can be removed (eg cleaning contamination etc). This may reduce or remove the risk and Argyll Environmental would be happy to discuss all options with you and your adviser.

In some cases there may be additional charges payable to the Environment Agency/Scottish Environment Protection Agency (SEPA) from your SIPP. In such cases, you will be advised of these charges before any work is carried out.

Argyll Environmental may be required to act again on behalf of the SIPP, at any time while the property is held by the SIPP, if possible environmental issues or concerns are raised by any party. The costs of this, or of any liabilities that arise when the property is held within the SIPP, must be paid from the SIPP.

Insurance referrals

SLTC has a block insurance policy under which all properties must be insured. Please see section 5 for details of cover. Our insurer may choose to carry out further surveys to satisfy underwriting requirements. The cost of this survey would be met from the SIPP, but it may be possible to reclaim the cost from the tenant. We will inform your financial adviser as early as possible of any issues with the property as a result of any survey, any special requirements of the insurer, or any increases in the standard premium level. In exceptional circumstances the insurers may decline to insure a property, and in such a situation we will be unable to purchase it.

Solicitor due diligence checks

Standard Life has appointed solicitors to act in regards to all legal transactions for property held within a SIPP. Details of our solicitors can be found in the 'Our property business partners' in section 7. You may not appoint your own solicitor for the purchase or sale of the property.

The solicitors will carry out all the standard due diligence checks, report on title and lease and undertake contract negotiation. They will liaise with you throughout the process and will discuss any issues as and when they arise. Some decisions may need to be taken by SLTC as legal owner of the property. As an example, if a property is subject to a chancel repair obligation then SLTC will require appropriate indemnity insurance to be put in place, the cost of which will fall on the SIPP.

If either you or Standard Life wish to stop proceedings then all costs must be met by the SIPP.

Statutory requirements

Where a new lease is being put in place at the same time as the property purchase, the lease will put responsibility for compliance with statutory requirements onto the tenant eg Control of Asbestos Regulations 2006. For a sitting tenant, our solicitors will satisfy themselves that obligations for complying with statutory regulations fall on the tenant.

If the property becomes void, the responsibility for complying with statutory regulations will fall on SLTC. Standard Life will take all necessary steps to comply with the legislation. All costs involved will be met by SIPP.

2.6 How will the purchase be funded?

The SIPP must be set up before we can instruct any work to be carried out on the purchase. The SIPP should hold enough money to fund each transaction in advance, so the total amount to pay all costs of the purchase, legal expenses and charges needs to be available in the SIPP prior to the date of contract exchange. Please refer to our Commercial Property Charges Sheet (SLSIP81) for further details of the charges.

It is your responsibility to ensure that enough money is in place to cover the total cost of the purchase. Failure to do so will prevent the purchase proceeding. All charges incurred to date will still apply.

The purchase and its associated costs can be funded from a combination of:

- Employee or employer payments to the SIPP.
- Transfer payments from other pension arrangements.
- Borrowing from a mortgage lender against the value of the property.

Payments made to a SIPP are subject to HMRC limits. Speak to your financial adviser for more information.

HMRC restrict the maximum borrowing to 50% of the net value of the SIPP fund at the time of borrowing.

Please note that commercial lenders only release money being borrowed at the property purchase completion date. The amount of borrowing must be no more than 50% of the net fund value at that date. As such, when calculating the maximum permitted borrowing, it's important to remember that your fund value could be lower at the actual borrowing date, due to charges (such as valuer and environmental specialist fees) that will have been paid from the fund prior to that date.

Arranging a mortgage

The purchase can be partially financed by arranging a mortgage from a commercial lender approved by Standard Life. These are currently:

- Royal Bank of Scotland / National Westminster
- Halifax/Bank of Scotland
- HSBC
- Bank of Ireland
- Barclays
- Clydesdale Bank
- Yorkshire Bank
- First Trust Bank
- Ulster Bank

The mortgage will be in the name of SLTC and repayments will be taken from the SIPP.

Standard Life also places the following restrictions on borrowing:

- We limit the liability on the mortgage to the value of the SIPP. In syndicate property purchases the liability will be limited to the value of the property.
- The loan must be on a capital and interest basis.
- The yearly rental income (excluding VAT) must exceed the loan repayments with a margin of safety. As a guideline, on a variable rate loan we would expect the rent to be around 130% of the yearly repayment, and on a fixed rate loan around 115%.
- Repayment must be by Direct Debit or BACs (Bankers Automated Clearing System).
- Repayments should be for fixed regular amounts, with the ability for the SIPP to make one-off additional payments.
- Our solicitors' charges will increase if the commercial lender uses a different solicitor to act for them.

As long as there are available funds, mortgage repayments will be deducted from the SIPP even if rental income is not received. If the SIPP does not have enough funds available and there are no other investments to be disposed of, we will stop making mortgage payments, which may lead to the commercial lender taking action. It could result in Standard Life deciding that the property will need to be sold.

2.7 Value Added Tax (VAT)

The VAT treatment of commercial property transactions can be very complex. We recommend that you consider taking appropriate specialist advice.

Opting the property for VAT

The purchase price may be subject to VAT if the vendor had previously opted the property for VAT or the property was built within the previous three years.

If you decide that the property is to be opted for VAT, you should notify us in the Property Information Questionnaire (SLSIP83). We will then arrange for the property to be VAT opted.

Opting the property for VAT means that if VAT is payable on the purchase price then the SIPP can usually reclaim this. Any VAT payable on development and professional expenses such as solicitors' fees can also be reclaimed.

There will be some circumstances where it will not be possible to VAT opt the property. Your VAT adviser will guide you on this.

VAT will be payable on the rental income, if opted. Tenants may be able to reclaim VAT paid on rent as part of their expenditure, if they are VAT registered.

VAT will be charged on the sale price when the property is sold.

If the property is not opted for VAT within the SIPP, then no VAT will be chargeable on rental income. If VAT had been payable on the purchase price then this cannot be reclaimed.

Transfer of a going concern

If purchasing a property that has been opted for VAT and which has been rented out, then the payment of VAT can be avoided by treating the transaction as a 'transfer of a going concern'. This only applies where the property continues to be rented out after purchase by the SIPP. This is a complex area and you should take specialist advice. In order to arrange the transfer of a going concern we must notify HMRC prior to the exchange of contracts, so it is important that this information is provided within the Property Information Questionnaire (SLSIP83).

VAT administration

Standard Life will complete quarterly VAT returns in respect of the property if opted for VAT. Charges will be taken from your SIPP to cover administration costs. Details can be found in the Commercial Property Charges Sheet (SLSIP81).

2.8 What type of letting is allowed?

The property must be let on full commercial terms from the completion date.

The tenant

The tenant can be the SIPP member's business as long as the lease is on full commercial terms.

Standard Life will not undertake credit checks on any tenants. However, where borrowing exists, the lender is likely to check the tenant's credit history and details of their company's accounts will be sought (if appropriate).

New lease

Standard Life's appointed solicitors will put in place our standard 'Full Insuring Repairing' lease for all new lettings. This lease will not be open to negotiation.

Certain legal obligations fall on the tenant in relation to the lease, for example, registering the lease at the Land Registry and filing a Stamp Duty Land Tax return. Standard Life will therefore require the tenant to appoint their own solicitor, the cost of which cannot be paid from the SIPP.

Rent is payable quarterly. Any frequency other than quarterly may be non-standard and may incur a higher charge from our property managers.

Existing leases

If the purchase is subject to an existing lease then our appointed solicitors will review this against our standard lease.

We will only accept existing leases where they are on a 'Full Insuring Repairing' basis and all conditions are acceptable to us. If our solicitors identify a situation where unacceptable conditions exist, we will not be prepared to take on the lease in its existing format and the property will not be acceptable to Standard Life.

Where there are minimal differences in the lease we will take these on at our sole discretion. Where there are unacceptable conditions within the lease we will request a formal amendment.

Rent is payable quarterly. Any frequency other than quarterly will be non-standard and may incur a higher charge from our property managers.

Subletting

The property may be sublet in whole or in part if the property lends itself to the subletting of parts.

No sublet may be subsequently sublet.

Multi-letting

Where the property is suitable to be divided then this can be let to multiple tenants. Individual leases must be in place for each tenant. Multi-let properties have increased obligations to the landlord, so we have delegated our authority to manage common parts to our property managers. Among other things they will:

- collect and administer service charges, including all related accounting requirements
- deal with landlord obligations arising under the leases
- deal with estate management issues
- ensure compliance with statutory obligations that fall on the landlord.

Charges for this service may fall on the SIPP or on the tenants depending on the detail of each case. In certain circumstances, the SIPP may be required to fund repairs or work to common parts. We recommend that in the early years of any multi-let property a cash float is maintained in the SIPP.

3. Keeping cash healthy

We recommend that a sufficient level of cash is maintained in the Standard Life SIPP Bank Account to allow for times when the SIPP may face unexpected property costs. If a tenant fails to pay rent the SIPP may be required to continue to make mortgage payments, pay any VAT and the insurance premium. The SIPP may also have to pay for property maintenance costs where the tenant is unable to pay, or service charges are not sufficient to meet costs. The SIPP may have to sell other assets to pay for this expenditure or ultimately even sell the property.

The amount of cash to be maintained in the Standard Life SIPP Bank Account should be discussed with your financial adviser, as it will depend on each property and its obligations.

It is your responsibility to ensure that enough money is in place to cover costs. If your SIPP cannot cover costs then the property may have to be sold. Standard Life will have carried out additional administrative tasks for which there will be additional charges. Please see the Commercial Property Charges Sheet (SLSIP81) for details.

4. Managing the property

There are many property management tasks that must be carried out on an ongoing basis while the property is held within the SIPP. Standard Life will undertake some of these functions as well as appointing our property managers to carry out some services. If any legal work is needed we will instruct our appointed solicitors. This section provides an overview of the property management functions.

Standard Life management tasks

We will:

- Pay any mortgage payments due.
- Pay any invoices that are charged to the SIPP.
- Manage and review the Standard Life SIPP Bank Account to ensure cash is kept healthy.
- Deal with any communication that relates to the property, including enquiries and anything that may need our instruction in our capacity as property landlord/trustee.
- Arrange and maintain an insurance policy with our brokers.
- Carry out VAT accounting, if applicable.

Core services

In relation to a single-let property, our property managers will undertake the following administrative tasks and their Yearly Core Services Fee will be payable from the member's SIPP. They are:

- Set up and maintain the SIPP property records, including a diary for critical events.
- Demand and collect rent and other charges due from the tenants. Rent is payable quarterly. Any frequency other than quarterly will be non-standard and may incur a higher charge from our property managers.
- Pay all collected monies to the Standard Life SIPP Bank Account.
- Provide quarterly financial reports on each property to Standard Life.
- Inspect and produce reports on all properties regularly (once every 18 months for single-let properties).
- Approve any Tenant's Applications for Consent (costs will be borne by the tenant).

The Property Managers will take all steps necessary to collect rent when due. If the tenant defaults on rent the Property Managers will follow their normal commercial procedure to obtain all outstanding money. This may involve the use of solicitors and/or bailiffs, or, in extreme circumstances, take court action to repossess the property. This procedure will be followed whether the tenant is the SIPP member's business or an unrelated third party. Costs of dealing with such situations will be recoverable from the tenant. In the event they are not, the costs will be paid from the SIPP.

In relation to multi-let properties, a management service charge will be agreed separately in each case – this charge will normally be recoverable from the tenants. In certain circumstances, service charges may need to be funded from the SIPP before being collected from the tenants, so a cash float should be maintained in the SIPP to cover this.

Lease events

Notification of critical lease events such as rent reviews and lease renewals will be provided by the Property Managers to Standard Life. The Property Managers will act for the SIPP in these matters. All costs will be deducted from the member's SIPP.

Valuations

While your SIPP holds a property it is likely that you will want regular market valuations carried out. Having current values will help you with your financial planning. Regular insurance reinstatement values are also required by the insurer who provides our block buildings insurance policy. Additionally, any lease in place is likely to require the rent to be reviewed at regular intervals. All costs related to these matters will be met from your SIPP.

Our Property Manager will keep a diary reminder system to show when rent reviews and insurance reinstatement valuations are required. They will contact you at this time, and you can nominate a valuer to be used. This may be good time to obtain an update of the market value, although you can also request this at any other time.

Vacant or Void Properties

A property may be 'Vacant', ie there is a lease in place but the property is not being used or 'Void', ie where the property is not in use and there is no lease in place. The responsibility for Compliance with Statutory Regulations differ for each scenario.

Where a property is vacant, the tenant is responsible for compliance with statutory regulations.

Where a property is void, Standard Life as property owner is responsible for compliance with statutory regulation. Standard Life will instruct the Property Managers to inspect any property which becomes void. We will seek to ensure that we are complying with our statutory and insurance obligations and will put in place any measures deemed necessary, with all costs being met from the SIPP.

The SIPP member may nominate any appropriate party to market the premises. We must approve this party in advance and all costs will be deducted from the member's SIPP.

Other services

The Property Managers can provide a number of other services to you, including:

- Strategic property management services
- Lease compliance advice
- Marketing and letting
- Selling the property (Investment sales)
- Rating
- Development appraisals and management
- Investment acquisitions
- Dilapidation advice

All costs for these will be quoted by our Property Manager and deducted from your SIPP.

5. Insuring the property

Standard Life Trustee Company Limited has a block property insurance policy with the insurer. All properties held as an asset of a SIPP will be automatically added to this policy.

This will cover:

- 'All risks' (eg fire, lightning, explosion, impact, storm)
- Terrorism
- Loss of rent
- Property owner's liability.

The property will be put on risk from exchange of contract. Premiums will be collected from the tenant by our property managers once the lease is effective (the lease will require the tenant to pay the costs of insurance). Prior to that point, the cost of insurance must be met from the SIPP. Similarly, at each annual renewal of the insurance it will be necessary to pay the cost from the SIPP and then reclaim it from the tenant.

Our insurers may choose to carry out a survey to satisfy underwriting requirements. We will inform your financial adviser as early as possible of any issues with the property as a result of a survey, such as special requirements of the insurer or any increase in the standard premium level.

There are some properties where it is not SLTC's responsibility to insure the property. These properties will be identified by our Solicitor and a copy of the existing cover will be requested to be reviewed by our Insurance Broker. Providing this is acceptable, we will request that SLTC's interest is noted on the policy to ensure that we are kept informed of any changes on the policy.

The tenant must organise their own insurance to cover their liabilities for operating their business from the property, as well as insurance to cover their assets, machinery and other business risks.

We reserve the right to extend the nature of the cover.

6. Selling the property

You can choose to sell the property at any time but you should bear in mind that it can take a considerable time to sell a commercial property and there will be costs associated with the sale. You should also consider market conditions when deciding on the best time to put the property on the market.

You'll need to take these factors into account when reviewing your investment or planning to take your benefits.

When you decide to sell the property you must notify the SIPP Customer Centre on 0845 0845 000 (call charges may vary) and ask to speak to one of our SIPP property administrators. Standard Life will need to organise a valuation and any inspections necessary.

You can nominate an estate agent to act in selling the property. Standard Life, as SIPP trustee, will formally instruct the estate agent and all fees incurred will be paid from the SIPP.

Standard Life reserves the right to sell the property if:

- we need to meet charges, costs or expenses in respect of the SIPP member(s) invested in the property, or
- if the investment no longer meets HM Revenue & Customs rules.

7. Our property business partners

Standard Life will be required to deal with several parties in relation to a property investment.

We have chosen to work with dedicated business partners who we believe will enhance our dealings in commercial property for the following reasons:

- Dedicated resources aligned to Standard Life ensure that a team of experts is on hand who will understand our SIPP product.
- Efficient processes and procedures have been designed, with agreed turnarounds, standard documentation, administration and accounting systems. These will ensure the financial adviser and SIPP member should benefit from quicker and smoother transactions.
- Competitive pricing has been agreed up front and is fixed for many transactions.
- All our business partners share our customer service principles.

We reserve the right to appoint any business partner at any time we deem it necessary to protect the property or to comply with legislation. All costs will be deducted from the SIPP.

Our business partners are:

Property solicitors

England & Wales

Dickinson Dees
1 Trinity Gardens, Broad Chare
Newcastle Upon Tyne, NE1 2HF
www.dickinson-dees.com

Scotland

Macdonalds
St Stephen's House, 279 Bath Street
Glasgow, G2 4JL
www.macdonaldslaw.co.uk

Northern Ireland

Wilson Nesbitt
City Link Business Park, Albert Street,
Belfast, BT12 4HB
www.wilson-nesbitt.com

It will not be possible to use any other Solicitors' firm to arrange the property purchase or for any other legal matters associated with the property.

Property managers

DTZ
120 Edmund Street
Birmingham, B3 2ED
www.dtz.com

Countrywide Property Management
Central House
Clifftown Road, Southend on Sea
SS1 1AB
www.countrywidema.co.uk

Environmental surveyor

Argyll Environmental Ltd
68 Middle Street
Brighton
BN1 1AL
www.argyllenvironmental.co.uk

Property insurer

Aviva
139 West Regent Street
Glasgow G2 2SG
www.aviva.com

Insurance broker

Willis Limited
6-8 Wemyss Place
Edinburgh, EH3 6DH
www.willis.com

Valuer

You may nominate a firm of valuers to undertake valuations. They must be a Member (MRICS) or Fellow (FRICS) of The Royal Institution of Chartered Surveyors (RICS). Standard Life will instruct the valuer, giving full details of our valuation requirements. The valuation report must be addressed to Standard Life Trustee Company Limited.

Lender

Standard Life have a panel of lenders with whom we have agreed processes and documentation. Only lenders on this panel will be acceptable to Standard Life. The panel is currently:

- Royal Bank of Scotland/National Westminster
- Halifax/Bank of Scotland
- HSBC
- Bank of Ireland
- Barclays
- Clydesdale Bank
- Yorkshire Bank
- First Trust Bank
- Ulster Bank

Tax rules and legislation

Tax rules and legislation may change. The information we have given is based on our understanding of law and HM Revenue & Customs practice when we published this document.

Standard Life, in our capacity as owner, reserves the right to appoint any business partner at any time. Any costs will be deducted from the member's SIPP where we deem it necessary to protect the property or to comply with legislation.

Pensions
Mortgages
Savings
Investments
Healthcare
Insurance

Speak soon.

If you'd like more information on the products in this booklet, or if there's anything more about Standard Life we can help you with, just call us on this number, or visit our website. Call charges may vary and your call may be recorded or monitored to improve our service.

0845 0845 000

www.standardlife.co.uk

Products provided by subsidiaries of Standard Life plc or other specified providers.

Standard Life Assurance Limited*, registered in Scotland (SC286833), Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH is the Provider and Scheme Administrator of the Standard Life Self Invested Personal Pension Scheme. Standard Life Trustee Company Limited, registered in Scotland (SC076046), also Standard Life House, is the Trustee. Telephone (0131) 225 2552. Calls may be recorded/monitored.

*Authorised and regulated by the Financial Services Authority www.standardlife.co.uk

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