A York-based IFA who established a new type of commercial lending fund backed by his clients’ pensions has seen over £27m in lending in the past year on high profile projects, and over £47m since the first loan was made in 2009.

Mark Pepper, founder of York-based IFA Grosvenor Financial Consultants, is believed to be the first IFA in the UK to have developed an innovative pension lending platform following extensive work with HMRC and pension law experts.

The tax efficient system devised by Grosvenor, with the help of a team of pensions, tax and banking lawyers at Bond Dickinson, enables private and company pension pots to be lent commercially against secured investments, typically commercial property developments that require funding for building work.

To date, Grosvenor’s clients have been invited to make loans in 21 separate ventures, lending a total of £47m. The fund’s first facility of £7.2m of debt backed Skelwith Developments’ £45m Raithwaite Hall Hotel and Spa complex at Sandsend, near Whitby, and was repaid with interest to exiting investors over 18 months.
“The success of the first completed loan has been well received by the lenders, and many have backed further issues and opportunities. We average interest rates over 9 per cent return per annum to our lending clients, and our structure retains the tax efficiency of the pension, and secures the loans with first ranking security against safe assets, mitigating the risk,” explained Mr Pepper.

“The lack of available funding, particularly in the space of commercial property development projects where banks have largely withdrawn lending, has led to a high demand for working capital in the region, and we have been able to cherry pick some great Yorkshire projects to finance,” he added.

“Raithwaite Hall is a great example of a copper-bottomed asset-backed lending venture that we have been able to open up for pension lending using our model. Investors like to understand the proposition, and to have an idea of the investment location and market appeal, and they tell us that they feel better knowing the exact project we are backing. In some cases investors like to keep an eye on progress, and keep track of how the projects are developing,” said Mr Pepper.

Mark Casey of Bond Dickinson has advised on the financing structure of the scheme for five years. “The innovative use of pensions to lend to-commercial firms has opened up opportunities for both the lenders and the firms who need the funding, and it has been a fascinating challenge to help Mark design a robust, collateral secured and compliant scheme that ticks all the boxes for the pension trustee operators, HMRC and the individual lenders,” he said.

He added: “We have invested several years of work into perfecting the scheme’s legal framework and the resulting, compliant scheme has pension trustee approval, which is critical in this market. This has put Mark and Grosvenor in a good place as a market leader and one of only a handful of similar lenders.”

Mr Pepper added: “We have worked hard to respect the rules surrounding pensions and what they can be used to invest in, and new clients are often surprised how much we can do with the permissible assets and transactions allowed within a pension. The financial crisis decimated the available lending in the market, and hopefully what we now provide is an antidote to some of the negatives, for both the borrower and the lender alike,” he added.

Mark Pepper is a director of Yorkshire Carnegie for 5 years and also jointly heads the York-based corporate events company Sporting Connexions Ltd, which runs charitable events including the sell-out York Sportsman’s Lunch that attracts over 650 business people to York Racecourse every November.

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Photography: Mark Casey of Bond Dickinson (left) and Mark Pepper of Grosvenor Financial

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