

Briefing

# SSAS and SIPP properties and environmental issues

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One of the great things about having a SSAS or a SIPP is that you can invest your pension savings in most types of commercial property. This is covered further in our briefing [here](#).

However, before the property can be brought into your pension scheme there are a number of matters that need to be considered; one of which is the environmental report for the property. I have worked with our internal investment committee to provide some background to a number of the issues that could be picked up in an environmental report.

Environmental reports are produced by environmental agencies and aim to identify any areas of concern to do with a property and its surrounding area.

A “desk-top” search will be carried out initially, based on information and historic data held for the site of the property. The matters that are considered include the risk of flooding, the risk of contaminated land, the risks associated with land that has been mined historically and the risk of radon gas.

With these risks come potential liabilities for the pension scheme and your company (if you intend to lease the property to your company, once it is in your pension scheme). The liabilities can be significant, especially where there is a risk of harm to people or if there is a pollutant. If your pension scheme is borrowing to help fund the property purchase, your mortgage lender may review the terms of the mortgage if it considers the liabilities to be at an unacceptable level.

The liabilities could also affect the future rental or sale of the property, which may have an impact on the amount of your pension savings and, ultimately, the amount of benefits from your SSAS or SIPP.

Typical properties that may cause environmental concern include old sewage works, factories that used hazardous chemicals and old (pre-1970s) petrol stations. These types of properties may warrant further investigation. Guidance will be given in the environmental report as to what actions may need to be taken by the pension scheme trustees, following the initial assessment.

It may be that appropriate insurance can be put in place to cover the liabilities. Some of you may be familiar with the need for insurance that specifically covers flood risks for your existing properties. Prior to completion, you will need to be satisfied that suitable cover can be obtained for the risk of flooding and that this is affordable.

Premiums may be significantly higher in areas with a greater risk of flooding, including those that have experienced problems in the past.

Where there are potential pollutants, on contaminated land for example, the insurance will need to cover not only any loss of value to the property but also the potential clean-up work needed, should the environmental agency identify the land as being contaminated and not be able to trace the original pollutant.

For example, if the original owner of your property that used hazardous chemicals cannot be found, the cost of the clean-up could fall to your pension scheme as the new owner of the property, (or your Company if they are renting the property from the pension scheme), even though you did not cause the pollution. The right insurance cover is therefore vitally important.

There is usually a desire to complete on a pension scheme property purchase as soon as practically possible. It is therefore a good idea to obtain the environmental report early on in the purchase process. Any issues arising can then be proactively dealt with, giving you peace of mind to concentrate on the other matters that need to be addressed, in order for completion to take place.

As I mentioned earlier, there are a number of matters that need to be considered before a property can be brought into your pension scheme, including any historic coal-mining and/or the presence of asbestos. We will therefore cover some of these issues in future briefings.

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively get in touch via the following:

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