

Pension Schemes could come under scrutiny on divorce fees says Trafalgar House

Press release: 2 October 2024

Trafalgar House, a specialist third-party pensions administrator, today urged pension schemes to reconsider their stance on charging divorce fees.

Earlier this year, The Pensions and Lifetime Savings Association (PLSA) announced updated guidance on Pension Sharing on Divorce. Designed for use by pension funds to support savers in their scheme, it also includes a recommended range for schemes to charge members when providing information related to pension sharing orders on divorce. While the ranges are indicative only, and schemes can go higher or lower, those ranges went up in this latest guidance which raises an important ethical question.

Daniel Taylor, Client Director at Trafalgar House, commented: "Pension sharing in divorce cases often involves complex calculations, particularly for defined benefit schemes. As an administrator, we understand first hand just how complicated these processes are – intricate pension value calculations, engaging with legal professionals, meeting legal requirements, and facilitating transfers. However, there are other exercises that are just as much work – such as partial transfers or Pension Increase Exchange (PIE) exercises – and members aren't asked to cover the costs for those.

"Further to that, actually collecting these fees is often very difficult, one or both parties might refuse to pay, or simply can't afford to, making the process cumbersome for schemes, and ultimately for members too."

Taylor continued: "Some pension schemes have taken the bold step of waiving these fees altogether, others continue to pass the costs onto members – this does raise questions about fairness when another financial burden is being imposed on individuals during an already incredibly stressful time, and in a cost-of-living crisis. It may be time for schemes to reconsider their position on these fees and ask themselves if they are really comfortable with it."

-ENDS-

Notes to editors:

Trafalgar House is a specialist pensions administrator.

Founded in 2006, our mission is to set the highest standard of pensions administration by any recognised measure. We achieve this through sustained investment in our people, processes and systems.

We started life as an in-house administrator. Our foundations are in quality and member experience. Since our creation, we have grown as a third-party administrator. Adopting technology and innovation from across the market, we have emerged as a business of administration experts.

We have offices in London and Farnborough, over 30 clients and 170 staff. We hold internationally recognised accreditations for quality, security, development, customer service and environmental protection.

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