British expats locked out of pensions by Brexit rules

Customers scramble to access their savings amid reduction in cross-border services

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290

British expats across the world face being locked out of their pensions because of [UK bank account closures] linked to Brexit.

Most pension providers can only pay into a UK bank account, however lenders have stopped serving many overseas customers, leaving them scrambling to access their savings.

Retirees are also struggling to move pensions into drawdown, buy annuities and make changes to their contributions as post-Brexit rules mean pension providers are less likely to offer cross-border services.

Under HM Revenue and Customs rules, in order to transfer to a new British provider, customers need to be resident in the UK, meaning expats cannot move their pensions to a new company.

This means many pensioners face expensive and complicated overseas pension transfers, which can see them lose up to 25pc of their pot to tax, in order to get their money.

Forced to withdraw lump sums with large tax bills

Paul Beard, founder and chief executive of Alexander Beard Group, which specialises in giving advice to those moving overseas, said he had been contacted by dozens of retirees about pension providers who refused "point blank" to pay out.

He said the policies were a "dereliction of duty" and contravened new consumer rules introduced by regulator the Financial Conduct Authority in July.

Sources at pension funds told Telegraph Money that the problems were primarily caused by the bank account changes.

The UK leaving the EU triggered a number of banks to review which accounts they allowed non-residents to open and retain.

Barclays began a review of its international offerings in 2021 and is now writing to overseas customers with a six-month warning of account closure.

Wealthy expats can open a global account with Barclays, which allows easy online access and currency flexibility, but they need to maintain a balance of £100,000 in order to avoid a monthly charge of £40.

HSBC offers an account for Expats but customers must save at least £50,000, have a salary of more than £100,000 or already be a "Premier" customer in order to be eligible.

Santander stopped non-UK residents taking out new products in the country in the wake of Brexit.

Lloyds Banking Group, which also runs the Bank of Scotland and Halifax, shut 13,000 accounts of expats living in Europe in 2020 as a result of Brexit rule changes.

‘Very few providers are able to offer cross-border pensions’

In the wake of Brexit, opening a new pension, moving money into drawdown so an income can be taken and making changes to contributions are considered cross-border business.

Because UK pension schemes are no longer authorised by European authorities, they are often unable to offer the insurance activities.

Providers also cannot open new pensions for Britons living abroad because HMRC requires that anyone starting a scheme ordinarily resides in the UK.

A Royal London spokesman said: “Very few providers are able to offer cross-border pensions business due to the risks and complexity involved for customers in doing so.”

The spokesman said there are some circumstances in which those living abroad can draw income from UK pensions, depending upon the type of contract they have and when it was taken out.

“For those who can’t, they will need to seek advice from an adviser in their local jurisdiction on their options to transfer their pension to an arrangement which allows them to do so.”

Other pension providers, including Prudential, will not pay pension income into an overseas account and did not before the Brexit vote.

Telegraph Money understands that many expats are having to transfer older policies which don't have modern drawdown options.

Some pension funds also require that a customer receives accredited advice in the country they have moved to before a transfer can be made, with financial advisors charging high commission for this service.

A Standard Life spokesman said providers had been asked by banks to make payments into accounts in the country where the customer is living, rather than a UK account.

"For customers with existing drawdown policies that have been in place since prior to Brexit, we are seeing some banks request that payments are made to an account in the country where the customer is resident."

The spokesman continued: "In these cases we are working with customers to ensure payments are made to a new account."

A spokesman for The Pensions Regulator said it could not comment on the rules of individual pension funds but that concerned customers should follow complaint procedures.

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