From the Chair

Guy Opperman MP
Parliamentary Under Secretary of State for Pensions and Financial Inclusion
Department for Work and Pensions

12 November 2018

Dear Guy,

I would be hugely grateful for your help on a matter that has been raised with us by small businesses.

You will know that the Pension Protection Fund has the power to charge interest on late payment of PPF levies. The rate of interest, set in secondary legislation, is 5% plus the Bank of England base rate.

We have heard concerns that this rate is too high, and that it is placing an unduly heavy burden on small businesses, who may already be struggling to pay the PPF levy. It has been put to us, by way of comparison, that the interest rate levied by HMRC for late payment of taxes is 3.25%.

The same legislation also provides that a payment is late after 28 days. This creates an obvious cash flow problem, especially for small businesses, which are asked to find a substantial sum in just four weeks.

Payment by instalment would obviously alleviate these cash flow problems. The PPF is giving this some thought in its current consultation. But it does not, under the current law, have the option of limiting payment by instalment only to SMEs. In its consultation paper, it expresses concern that offering payment by instalment to all levy payers would risk “increasing the risk that material amounts of levy are collected later and potentially increasing the administrative burden on schemes”.

Might I ask you please:

1. to consider whether this interest rate is set at the right level, and whether the burden on small business in particular is appropriate? Is it not the payment we need, rather than the fine?

2. to consider whether the law needs to change, to allow the PPF to offer SMEs (and not other levy payers) the option of paying the levy by instalments?
With best wishes and I look forward to hearing from you,

Rt Hon Frank Field MP
Chair