



Department  
for Work &  
Pensions

**GUY OPPERMAN MP**  
Minister for Pensions

Rt Hon Frank Field MP  
Chair, Work and Pensions Select  
Committee  
House of Commons

4<sup>th</sup> December 2018

Dear Frank,

**Re: Pension Protection Fund levy**

Thank you for your letter of 12 November 2018 regarding the Pension Protection Fund (PPF) levy.

You have asked me to look into the arrangements on which late payments of the PPF's levies are based. You have shared concerns raised by small businesses that the high level at which the current interest rate is set and that the stringent definition of late payment place too heavy a burden on small businesses who may already be struggling to pay the PPF levy. As a result, you have asked me to consider 1) whether the interest rate on late payment is set at the right level, and 2) whether the law needs to change to allow the PPF to offer SMEs the option of paying the levy by instalments.

I am writing to confirm that I am aware of the concerns you raise in your letter but that I am not yet convinced there is a clear case for change. On the first question you pose, I would first like to emphasise that the level at which the current interest rate is set has succeeded in fulfilling the purpose for which the decision to implement it was made in the first place. Since the introduction of interest on late payment, the average time taken by schemes to pay has reduced from 34 days to 24 days. In practice interest is only applied in relatively rare cases – around 175 per year, representing just over 3% of schemes, and since introduction in 2010 the PPF has collected less than £2m in interest charges by comparison with c£4.5 billion of pension protection levy. The PPF therefore believes that the prospect of an interest charge for late payment does assist in encouraging schemes to pay promptly – without in practice needing

the PPF to charge interest often – and so any change should be considered in the light of any impact it could have in that respect.

In relation to your second question, although I agree that amending legislation to allow SMEs to pay by instalments would help alleviate the burden placed on small businesses, I am afraid that there is not sufficient evidence to support the case for a change in the current regulatory framework. There have been limited calls to allow payment by instalments from SMEs themselves in the current levy consultation, while concerns have been raised by other stakeholders about the impact any such move would have on a very successful collection system. Were the PPF to move to automatic payment by instalments for schemes with SME employers this would apply to a significant proportion of the invoiced schemes without testing whether there was a need for it. There is therefore not yet a sufficient evidence base to make firm decisions on the question of offering payment by instalments to all SMES. Notwithstanding, I have received confirmation that the PPF will continue to research the issue in order to build a fuller evidence base. A final decision will be built on the basis of this evidence.

On more general grounds, I would like to note that legislation already provides the facility for schemes with SME employers (as well as others) to request a payment plan and for the PPF to consider whether to waive interest on late payment. On the basis of the scope for action that this regulatory framework already provides, I would like to share with you some initiatives that the PPF is planning to take to respond to the issues raised. In advance of the next levy year, the PPF will publicise more clearly the facilities offered to schemes to request a payment plan. In particular, more information will be offered to schemes about when they might be able to benefit from payments plans and when the PPF is likely to waive interest. The PPF will also review its policies in terms of when they accept such requests. It will then assess the adequacy of these measures in meeting SME concerns, drawing on engagement with a group of SME employers and others. This proposal will be covered in the PPF's Policy Statement and Final Rules, which will be published in December.

Additionally, the PPF is currently in the process of addressing the lack of certainty about when schemes should expect to receive their invoice, while it intends to provide more information in advance about whether and by how much it is likely to be different to previous years. The PPF is using customer insight and a new SME Forum to try to ensure they understand this section of levy payers as well as possible, including what additional information and in

what format(s) would best help them. Further consideration to whether these types of initiatives have been sufficient will be then given.

I strongly believe that the aforementioned set of actions will help SME levy payers. I will liaise closely with the PPF to understand the impact of these changes and determine whether legislative change is necessary.

Thank you for taking the time to bring this matter to my attention and I hope that my reply helps to explain the position.

A handwritten signature in black ink, reading "Guy Opperman". The signature is written in a cursive style with a large, prominent 'O' in the middle. To the left of the signature, the words "Dear Sir" are written in a smaller, less legible cursive script.

**Guy Opperman MP**  
**Minister for Pensions and Financial Inclusion**