

UK PENSIONS UPDATE 5 in 5 – September 2025

Welcome to our newsletter: "UK Pensions Update: 5 in 5" where we deliver to you what you really need to know about the 5 key developments in UK pensions from the last quarter – digestible within 5 minutes!

1 Pension Schemes Bill progress

The Pension Schemes Bill (see the [June 2025](#) edition of our newsletter for background) has been committed to a Public Bill Committee, with proceedings due to conclude on 23 October.

A list of amendments to the Bill was published this week for consideration during the Committee stage. Most notably, these amendments included some new clauses intended to enable schemes affected by the *Virgin Media* judgment¹ (see the [September 2024](#) edition of our newsletter for more information) to obtain a written actuarial confirmation that would have the effect that the amendments were treated as having satisfied the section 37 requirements. As currently drafted, the provisions should help schemes provided they have not taken "positive action" to treat the amendment as void for not satisfying the statutory requirements (broadly, by notifying members that the amendment was void and/or administering the scheme on this basis). The proposed clauses also carve out schemes where the amendment's validity was in issue in legal proceedings which commenced on or before the 5 June 2025. For schemes which have wound-up or entered the PPF before the Act comes into force the legislation would treat any relevant amendments as having complied with the section 37 requirements (so no action would be needed on section 37 for those schemes).

The Bill is still in its infancy and the proposed amendments will be considered in detail and debated as the Bill progresses, so there may well be further changes to come.

Timing: Exact timing for the Bill to receive Royal Assent is unknown – the Chancellor referred to the Bill as being "*signed into law in the next few months*" at the annual Mansion House speech to the financial services sector in July, although the government roadmap published alongside the Bill indicates early 2026 is more likely.

2 HMRC publishes response to IHT consultation

HMRC published its [response to the October 2024 IHT consultation](#) in July, together with a [policy paper](#) and [draft legislation](#).

The [HMRC consultation](#) proposed to revise the inheritance tax (IHT) regime to bring "most unused pension funds and death benefits" within the value of a person's estate for IHT purposes and make scheme administrators liable for reporting and paying any IHT due on unused pension funds and death benefits (For more details, please see the [December 2024](#) edition of our newsletter.)

In its response, the government has confirmed:

Process: Personal Representatives (**PRs**) (not pension scheme administrators) will be liable for reporting and paying any IHT due on unused pension funds and death benefits. (However, there will be information-sharing obligations between PRs, scheme administrators and beneficiaries, and obligations on schemes to make the liability position clear to beneficiaries as well as giving beneficiaries the option of requiring the administrator to pay the IHT on their behalf.)

Scope: Significantly, lump sum death in service benefits payable from a registered pension scheme (whether discretionary or non-discretionary) will now be exempt from IHT. This is a shift from the original proposal and means that non-discretionary lump sum death in service benefits paid from registered schemes will no longer be subject to IHT (i.e. a change from the current position). The consultation does not specifically confirm the position on equivalent benefits paid from unregistered schemes and it seems that those lump sums would need to remain discretionary not to attract IHT. The response also confirms that dependant's scheme pensions from a DB scheme or collective DC scheme and joint life annuities will also be exempt from IHT. However, it does not otherwise comment on life policy products/the scope of these that would be exempt.

Timing: Draft legislation to implement certain changes has been [published](#) for technical consultation (closing 15 September). Draft legislation on changes to the information sharing regime will be published in due course. The new rules are to apply in respect of member deaths on or after 6 April 2027.

¹ *Virgin Media Ltd v NTL Pension Trustees II Ltd* [2024] EWCA Civ 843

3 HMRC issues new Brief on VAT recovery for DB pension fund management costs

HMRC published a new Brief on 18 June ([Brief 4/2025](#)) outlining what appears to be a significant policy change to VAT deduction on the management of occupational pension funds.

Historically, employers have been able to recover VAT on certain administration/management costs incurred by trustees in DB schemes, with a distinction made between investment services (generally not VAT recoverable) and administration/management services (generally VAT recoverable). For single invoices covering both services, the "70/30 rule" means 70% (attributable to investment services) is generally irrecoverable, with the remaining 30% (attributable to administration/management services) recoverable by the employer.

European case law disturbed this position in 2014 and caused HMRC to re-think its VAT treatment on services provided to pension schemes. This resulted in new guidance from HMRC issued over several years, with HMRC ultimately maintaining the 70/30 rule option alongside some alternative options in its updated VAT Input Tax Manual in 2017.

The new Brief confirms that, from 18 June 2025, HMRC will no longer treat investment costs as dual use. Instead, all input tax on both administration and investment services for DB schemes will be deductible by the employer, subject to normal deduction rules.

Timing: The VAT Input Tax Manual has not yet been updated, and it is unclear what requirements HMRC might impose in order for employers to benefit from full VAT recovery on investment management costs. HMRC says it will publish guidance on the policy change by the autumn.

4 Solvency-triggered termination rights in BPAs

On 4 July, the PRA published an open [letter](#) to life insurance firms following its review of solvency-triggered termination rights (STTRs) in bulk purchase annuity (BPA) transactions.

STTRs allow pension trustees to terminate a BPA if an insurer's solvency falls below a set threshold for a specified period, enabling the scheme to recapture liabilities and related assets from the insurer.

The PRA's review found that, while many firms are aware of the risks associated with STTRs and are taking steps to manage them, further work is needed. Firms need to do more to demonstrate they have adequately considered the full range of risks, and have planned for the financial and

operational issues which might arise, particularly in scenarios where multiple STTRs could be triggered at once.

The PRA asks insurers to review the points raised in the letter, implement any necessary remedial actions, and notify the PRA of any new BPA transactions with STTRs from 4 July 2025.

Timing: The PRA will continue to engage with firms as part of its ongoing supervision and plans a follow-up review in 2026.

For further details, see our Insurance team's [blog post](#).

5 Data (Use and Access) Act 2025

The Data (Use and Access) Act 2025 received Royal Assent on 19 June. The Act makes changes to the UK's data protection regime, including restructuring the existing data protection regulator, making anti-fraud and know your customer processing easier and clarifying obligations in relation to data subject access requests (DSARs).

Many of the changes are not specifically relevant to the pensions context. However, there are some changes of wider application which are likely to be of interest to pensions trustees.

In particular, trustees are likely to need to:

- review existing processes/policies to ensure these are consistent with new rules on time limits for responding to DSARs and searches in response to DSARs;
- update existing policies/procedures and privacy notices to refer to the reformed Information Commissioner and its new powers.
- update existing policies and procedures to reflect the new requirements on data subject complaints, including ensuring that an electronic complaint form is available.

Trustees will also need to undertake a data protection impact assessment before connecting to the pensions dashboards architecture (this is already needed under the current regime) and update their existing policies and privacy notices to reflect the processing of personal data that will be undertaken in light of their new dashboard duties.

Timing: While a few changes made by the Act took immediate effect, most will be implemented through regulations. The first set of commencement regulations², brought several provisions into force on 20 August 2025, marking the initial stage of the government's [implementation timeline](#). Most provisions relevant to trustees are expected to take effect around the end of 2025 (stage three), with changes to the structure and powers of the Information Commissioner anticipated in early 2026 (stage four).

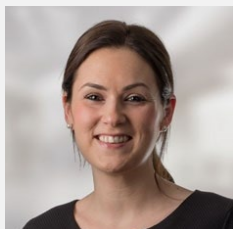
² The Data (Use and Access) Act 2025 (Commencement No 1) Regulations 2025, made on 24 July 2025.

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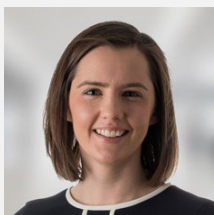
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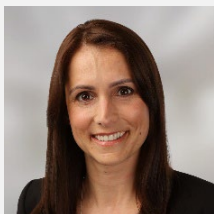
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