BARNETT WADDINGHAM
Part of HOWDEN

PATHways
Pension Administration Technical Help

Highlighting pensions news and legislation that has particular relevance to what we do in pension administration

HMRC newsletter 174

HM Revenue & Customs (HMRC) published Pensions schemes newsletter 174 on 30 October 2025. Amongst other topics, it includes:

UK resident pension scheme administrators

A reminder that pension scheme administrators of UK registered pension schemes are required to be resident in the UK from 6 April 2026. The newsletter explains what this means for existing non-UK pension scheme administrators, the appointment requirements and the updates required on Managing Pension Schemes service/Pension Schemes Online service before 6 April 2026. This topic was originally covered in Pensions schemes newsletter 164.

Returning tax-free lump sums

The newsletter addresses some of the points raised following the article on returning tax-free lump sums in Pension schemes newsletter 173. This includes confirmation that:

Legislation - There are no legislative provisions for tax-free lump sums to be returned to a registered pension scheme and for the tax consequences to be undone.

Cancellation of a pension transfer with a pension commencement lump sum (PCLS) – If a scheme member has taken a PCLS on transfer, the associated tax consequences, including the use of the member's lump sum allowance and lump sum death benefit allowance can't be undone, even if the payment is allowed to be returned or, for schemes where it applies, FCA cancellation rights are exercised for the pension transfer of benefits.

Lump sum allowance and cancellation – If trustees allow a member to undo their PCLS payment, the conditions as set out in tax legislation still need to be met for the PCLS or Uncrystallised funds pension lump sum (UFPLS) that was paid, to remain an authorised payment. Otherwise, the original payment will be treated as an unauthorised payment.

PCLS and UFPLS payments that have already been cancelled - HMRC has said it may challenge alternative interpretations of the tax consequences of tax-free lump sums that have been returned after 5 December 2024, when the position was made clear. This seems to imply they may not do so for such transactions before this date.

Registered pension schemes are expected to tell members of their reduced lump sum allowance and lump sum and death benefit allowance or report unauthorised payments in the usual way.

PASA - Guidance on use of AI in pensions administration

The Pensions Administration Standards Association (PASA) has published guidance on the use of Artificial Intelligence (AI) in pensions administration. The guidance aims to provide practical support for schemes, administrators and trustees to understand both the opportunities and the risks of adopting AI within administration. The guidance emphasises that high-quality data is the "bedrock" of AI and it includes examples of the likely usage of AI in pensions. This includes chatbots, predictive analytics, fraud detection and intelligent document processing. Appropriate and robust governance frameworks will also be essential.

DWP - Time to review the advice threshold for DB transfers?

Further to related activity with the industry in 2023, Patricia Ferguson, MP for Glasgow West asked Torsten Bell, Parliamentary Secretary for the Treasury and Under-Secretary of State in the Department for Work and Pensions (DWP) whether he has considered adjusting the current £30,000 threshold over which regulated financial advice must be obtained, in line with inflation, before a defined benefit transfer can be paid to most pension arrangements.

Torsten Bell's response included that raising this threshold could increase the risk of such transfers being made without sufficient understanding. Although, he also confirmed that the review of the regulations conducted in 2023 identified potential concerns regarding the cost and availability of independent financial advice and that the Government is keen to explore the extent of these issues. He informed that the DWP is working closely with the FCA, the pensions industry, and His Majesty's Treasury and that they intend to consult on the outcome of this work in the coming months.