£8m Settlement Reached for MG Rover Group Senior Pension Scheme

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An £8m settlement was announced today following an investigation into the MG Rover Group Senior Pension Scheme by The Pensions Regulator.

The scheme is now expected to avoid entry into the Pension Protection Fund (PPF) and provide its members with benefits in excess of PPF levels as a result of the settlement agreement.

In December 2012, the regulator issued a warning notice to MGR Capital Limited (Capital), indicating its intention to issue a financial support direction (FSD).

Following representations from Capital in response to the warning notice, an agreement was reached this week (October 20) between the trustee of the scheme and Capital, in which Capital agreed to pay £8.085m into the scheme.

This sum is expected to allow the scheme to wind up outside the PPF and to enable its members to receive benefits above PPF levels. In light of this agreement, the regulator is no longer seeking to issue an FSD against Capital. Details of the case and the settlement are published today in a Section 89 report by the regulator, which can be viewed here.

The regulator's interim chief executive Stephen Soper said:

"I am very pleased with the £8m settlement which is substantial in this context and an excellent outcome for the scheme.

"Our involvement once again demonstrates that the regulator will not hesitate to use its powers to protect the retirement savings of scheme members and limit calls on the PPF.

"It is clear that our warning notice led to productive negotiations with Capital, concluding in a settlement which achieves our joint objectives to act in the best interests of scheme members and the PPF."

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Notes to editors:

- In May 2005, following the administration of MG Rover Group Limited (MGRG), the scheme's principal employer; and other companies in the MG Rover Group, the Secretary of State for Trade and Industry appointed inspectors under the Companies Act 1985 to undertake an investigation into the affairs of the MG Rover Group. The inspectors published their final report in 2009.
- One of the events investigated by the inspectors was a transaction by which Capital acquired a substantial portfolio of vehicle finance agreements with former customers of MGRG (the Loan Book). Capital was established specifically for the purpose of acquiring the Loan Book.
- The conclusions reached by the inspectors in relation to the circumstances in which the Loan Book was acquired were relevant to the regulator's investigation into whether it would be appropriate to seek to issue a financial support direction under s.43 of the Pensions Act 2004 to Capital for the benefit of the scheme.
- The regulator contended that Capital was the beneficiary of the loss of a profitable opportunity by the scheme's principal employer, and had benefited from the use of that employer's resources as collateral for the Loan Book transaction.
- The Pensions Regulator is the regulator of work-based pension schemes in the UK. We have objectives to: protect members' benefits; reduce the risk of calls on the Pension Protection Fund (PPF); to promote, and to improve understanding of the good administration of work-based pension schemes; to maximise employer compliance with automatic enrolment duties; and to minimise any adverse impact on the employer's plans for sustainable growth (in relation to the exercise of the regulator's functions under Part 3 of the Pensions Act 2004 only).

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