



Assets & Residence Policy Team,  
HM Revenue and Customs,  
Room 3C/03,  
100 Parliament Street,  
London  
SW1A 2BQ

14 February 2020

## **AFM Response to HMRC on technical consultation on Fifth Money Laundering Directive and Trust Registration Service**

1. I am writing in response to this consultation paper, on behalf of the Association of Financial Mutuals. The objectives we seek from our response are to:
  - Comment on the consultation and to welcome the proportionality introduced.
2. The Association of Financial Mutuals (AFM) represents insurance and healthcare providers that are owned by their customers, or which are established to serve a defined community (on a not for profit basis). Between them, mutual insurers manage the savings, pensions, protection and healthcare needs of over 30 million people in the UK and Ireland, collect annual premium income of £19.6 billion, and employ nearly 30,000 staff<sup>1</sup>.
3. The nature of their ownership and the consequently lower prices, higher returns or better service that typically results, make mutuals accessible and attractive to consumers, and have been recognised by Parliament as worthy of continued support and promotion. In particular, FCA and PRA are required to analyse whether new rules impose any significantly different consequences for mutual businesses<sup>2</sup> and to take account of corporate diversity<sup>3</sup>.

<sup>1</sup> ICMIF, <https://www.icmif.org/publications/market-insights/market-insights-uk-2016>

<sup>2</sup> Financial Services Act 2012, section 138 K: <http://www.legislation.gov.uk/ukpga/2012/21/section/24/enacted>

<sup>3</sup> <http://www.legislation.gov.uk/ukpga/2016/14/section/20/enacted>

4. We welcome the consultation, and the greater clarity offered on how the UK Government will transpose the fifth Money Laundering Directive.
5. We agree with the conclusion that a trust should not require registration under the TRS, where it was created for a 'pure protection policy and payment is not made until the death or terminal illness of the insured'. We think this is a sensible and logical conclusion, and will bring certainty to consumers and their advisors in establishing future trust and estate planning arrangements.
6. We would have liked to see the Government reconsider the rules around probate, which define how much an insurer or bank can pay out without a grant of probate when someone dies without making a will. The legal restriction is low and varies across the UK, and has not been revised for a long time, although a financial provider can elect to set a higher limit at their own risk. This increases risk and uncertainty and we consider Government should refresh the legal position.
7. Our members do not generally offer registered pension schemes (held in trust) or charitable trusts, but we support their exclusion from TRS as well.
8. We note that a trust that is out of scope when it is created, but subsequently becomes a taxpaying trust, will require registration under TRS to enable the trust tax return to be generated. It would be helpful to have further guidance on this and to recognise the risk of inadvertent non-compliance.
9. We have no comments on other aspects of the consultation.
10. We would welcome the opportunity to discuss further the issues raised by our response.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'MS', written in a cursive style.

Martin Shaw  
Chief Executive  
Association of Financial Mutuals