Ease the emotional burden of Inheritance Tax with the Direct Payment Scheme

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Please note:

Benefits of tax-efficient investments are subject to change and personal circumstances.

Business Relief rules are changing in April 2026. See the ***Guide to Business Relief*** *for more information.*

Your clients losing a loved one is an emotionally challenging period for them and a moment where they are going to need to rely on their financial advisor. During this difficult time dealing with Inheritance Tax (IHT) responsibilities can add significant stress.

One effective yet underutilised solution you could introduce is the Direct Payment Scheme (DPS), accessible through our Blackfinch Adapt or AIM IHT solution. The DPS scheme is a scheme run by HMRC of which Blackfinch is a voluntary member. It allows executors to settle the IHT liability by taking funds directly from the deceased client's Blackfinch Adapt or AIM Service. This means that any IHT liabilities can be settled by funds been directly sent to HMRC from the deceased's holdings. This allows for the process of grant of probate to be sped up.

Save clients from stress and interest

As a financial advisor, using the DPS is a clear demonstration of your thoughtful planning during a time when your clients most need support. IHT must typically be paid within six months of a person's death but often settling the estate can take six to twelve months or more.

After the six months has passed on the IHT burden, interest starts building on outstanding amounts. Without proper arrangements, families might feel rushed into liquidating assets prematurely or arranging costly short-term finance. By using the DPS, you ensure that IHT liability is paid promptly.

To access the Direct Payment Scheme on behalf of a client:

- Ask Blackfinch to make you a 'personal representative'.
- Get your client's Inheritance Tax payment reference number.
- Fill in form **IHT423** and send it to Blackfinch. Send a separate form for each account you want to pay HMRC from.
- Send Inheritance Tax Account form **IHT400** and any supplementary pages or supporting documents to HMRC. If you're in Northern Ireland, include Probate Summary form **IHT421**. If you're in Scotland, include **Confirmation form C1**.

Helping beneficiaries of a client pay their IHT bill

IHT planning focuses on your current clients, but the impact on the clients' beneficiaries, often their children, can be overlooked. This is despite them being the ones who'll ultimately bear the tax burden. Investing through an approved DPS member like Blackfinch simplifies the IHT process and positions you to build relationships with this next generation of clients.

Conclusion

By investing with Blackfinch and having access to the DPS, the process of settling IHT liabilities can be made simpler and more efficient. This can alleviate emotional and financial pressures clients face when losing a loved one.

Advisors who introduce DPS proactively not only simplify the IHT process but also reinforce their commitment to compassionate client service during sensitive times. Your thoughtful planning can make a genuine difference, helping families navigate Inheritance Tax smoothly, allowing them essential space and time to heal.

If you would like to know more about the Direct Payment Scheme, Inheritance Tax and how to structure portfolios to manage client tax headaches, then get in touch with our Business Development Team. They're based all across the UK, have extensive experience in the tax-efficient investment landscape and can offer a wide range of services – from 1-2-1 or group training through to worked tax calculations and IHT calculators.

IMPORTANT INFORMATION

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Risks

Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.

What are the FCA key risks?

1 - You could lose all the money you invest
If the business you invest in fails, you are likely to lose 100% of the money you invested. Most start-up businesses fail.

2 - You are unlikely to be protected if something goes wrong
Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Try the FSCS investment protection checker (https://www.fscs.org.uk/check/investment-protection-checker).

Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance. If you have a complaint against an FCA-regulated firm, FOS may be able to consider it. Learn more about FOS protection (https://www.financial-ombudsman.org.uk/consumers).

3 - You won't get your money back quickly
Even if the business you invest in is successful, it may take several years to get your money back. You are unlikely to be able to sell your investment early.

The most likely way to get your money back is if the business is bought by another business or lists its shares on an exchange such as the London Stock Exchange. These events are not common.

If you are investing in a start-up business, you should not expect to get your money back through dividends. Start-up businesses rarely pay these (https://www.financial-ombudsman.org.uk/consumers).

4 - Don't put all your eggs in one basket
Putting all your money into a single business or type of investment for example, is risky. Spreading your money across different investments makes you less dependent on any one to do well.

A good rule of thumb is not to invest more than 10% of your money in high-risk investments (https://www.fca.org.uk/investsmart/5-questions-ask-you-invest).

5 - The value of your investment can be reduced
The percentage of the business that you own will decrease if the business issues more shares. This could mean that the value of your investment reduces, depending on how much the business grows. Most start-up businesses issue multiple rounds of shares.

These new shares could have additional rights that your shares don't have, such as the right to receive a fixed dividend, which could further reduce your chances of getting a return on your investment.

If you are interested in learning more about how to protect yourself, visit the FCA's website (https://www.fca.org.uk/investsmart).